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United Nations

United Nations Population Fund

Financial report and audited financial statements

for the biennium ended 31 December 2007

and

Report of the Board of Auditors

General Assembly
Official Records
Sixty-third Session
Supplement No. 5G

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Report of the Board of Auditors

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Note

Symbols of United Nations documents are composed of capital letters combined with figures. Mention of such a symbol indicates a reference to a United Nations document.

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Letters of transmittal

30 April 2008

Pursuant to financial rule 116.2 of the United Nations Population Fund, I have the honour to submit the financial statements of the Fund for the biennium ended 31 December 2007, which I hereby approve.

Copies of these statements are also being transmitted to the Advisory Committee on Administrative and Budgetary Questions.

(*Signed*) Thoraya Amed **Obaid**
Under-Secretary-General

The Chairman of the Board of Auditors
United Nations
New York

30 June 2008

I have the honour to transmit to you the report of the Board of Auditors on the financial statements of the United Nations Population Fund for the biennium ended 31 December 2007.

(*Signed*) Philippe **Séguin**
First President of the Court of Accounts of France and
Chairman, United Nations Board of Auditors

The President of the General Assembly
of the United Nations
New York

Chapter I
Financial report for the biennium ended 31 December 2007

A. Introduction

1. The present report summarizes the information provided in the financial statements of the United Nations Population Fund (UNFPA) for the biennium ended 31 December 2007. The unit of account used in the financial statements is the United States dollar (see note 2 (c)). Totals may not add up owing to rounding.

2. The financial statements comprise four statements, eight schedules and the notes, which include information on the operations funded by both regular and other resources of UNFPA.

B. Regular resources

Income

3. Net contribution income for the biennium was $779.5 million (2004-2005: $673.7 million). The increase of $105.8 million, or 15.7 per cent, is attributable to the continued support of UNFPA by donors.

4. Higher interest rates and higher cash balances throughout the period gave rise to interest income for the biennium of $29.2 million (2004-2005: $9.8 million).

5. Other income of $37.8 million (2004-2005: $10.0 million) consists of other exchange adjustments, miscellaneous income and endowment contributions of $33.7 million.

Programme expenditure

6. Programme expenditure authority was $600.4 million for the biennium ended 31 December 2007 (2004-2005: $400.7 million).

7. Actual programme expenditure for the biennium including expenditure in respect of programme activities and the technical advisory programme, totalled $557.2 million (2004-2005: $494.7 million).

8. Expenditure incurred in respect of programme activities increased from $456.3 million in the last biennium to $519.4 million. This increase is attributable in large part to the increase in contribution income during the biennium.

9. A summary of programme activities, by implementing partner, is presented in table I.1.

Table I.1
Programme activities

	2006-2007		2004-2005	
	Millions of United States dollars	*Percentage*	*Millions of United States dollars*	*Percentage*
UNFPA	325.7	62.7	249.7	54.7
Governments	135.9	26.1	146.3	32.1
International non-governmental institutions and organizations	51.2	9.9	49.3	10.8
United Nations agencies	6.6	1.3	11.1	2.4
Total	**519.4**	**100.0**	**456.3**	**100.0**

10. The following United Nations agencies executed projects funded by UNFPA in the biennium ended 31 December 2007:

- Economic Commission for Africa
- Economic Commission for Latin America and the Caribbean
- Economic and Social Commission for Asia and the Pacific
- Food and Agriculture Organization of the United Nations
- United Nations Educational, Scientific and Cultural Organization
- United Nations Development Fund for Women
- United Nations Institute for Training and Research
- United Nations Office for Project Services (UNOPS)
- World Health Organization (WHO)
- International Labour Organization
- United Nations Children's Fund (UNICEF)
- United Nations Office on Drugs and Crime

As part of the joint programme, the United Nations Development Programme (UNDP) and UNICEF implemented projects on behalf of UNFPA.

11. Schedule 3 provides an analysis of programme activities by region.

12. Expenditure in respect of the technical advisory programme, which covers costs incurred in the provision of technical support to countries through the nine country services support teams, totalled $37.9 million for the biennium (2004-2005: $38.4 million). As part of a reorganization, the country services support teams will merge with the geographical divisions in 2008.

Biennial support budget

13. The revised gross and net biennial support budget appropriations for the biennium ended 31 December 2007 totalled $209.0 million (2004-2005: $169.6 million) and $196.4 million (2004-2005: $155.0 million) respectively.

14. Actual biennial support budget expenditure for the biennium is summarized in table I.2.

Table I.2
Expenditure under the biennial support budget

(Millions of United States dollars)

	2006-2007	*2004-2005*
Gross expenditure	198.1	169.5
Credits	(23.2)	(20.6)
Net expenditure	174.9	148.9
Total	**742.9**	**653.3**
Net biennial support budget expenditure as a percentage of total expenditure	23.5	22.8

15. The increase in gross biennial support budget expenditure between the two bienniums is $28.6 million, or 16.9 per cent. This is attributable to increased expenditure in 2006-2007, namely, for security and payroll, driven in turn by a deterioration of the strength of the United States dollar in the field.

16. The increase of $2.6 million in credits to the biennial support budget is attributable in large part to the increase in indirect costs charged to other resources. Note 11 to the financial statements provides a detailed analysis of the credits to the biennial support budget.

17. The unencumbered balance of net appropriations as at 31 December 2007 was $21.6 million (2005: $6.1 million); 89.0 per cent of net appropriations to the biennial support budget were utilized in the current biennium (2004-2005: 96.1 per cent).

Additional security requirements

18. By its decision 2004/27, the Executive Board granted the Executive Director authority to access up to 4 per cent of the approved gross regular biennial support budget as additional funding for security measures, up to a maximum of $6.8 million. In its decision 2005/37, the Executive Board authorized additional funding of $4.7 million to replenish the security reserve for the biennium 2006-2007.

Implementation of the enterprise resource planning system

19. The total development cost for the enterprise resource planning system approved by the Executive Board is $22.7 million. Expenditures of $5.0 million were incurred during the biennium (2004-2005: $6.7 million). Cumulative expenditures, including $7.3 million for 2002-2003, total $19.0 million since inception.

Fund balances and reserves

20. The net excess of income over expenditure for the biennium 2006-2007 was $103.9 million (2004-2005: $39.6 million). After-service health insurance liabilities and accrued staff benefits of $85.9 million (2004-2005: nil) were recognized during the biennium. As a result of this, and other reserve movements, the programmable fund balance under regular resources increased from $48.6 million to $65.6 million.

21. At 31 December 2007, transfers were made from the programmable fund balance to maintain the reserve for field accommodation at $5.0 million (2005: $5.0 million). In the year ended 31 December 2006, given net contribution income of $360.5 million, the operational reserve was increased from $70.2 million to $72.1 million. In the year ended 31 December 2007, given net contribution income of $419.0 million, the operational reserve should have been increased from $72.1 million to $83.8 million during the year. The mandatory increase of $11.7 million for 2007 is being deferred as approved by the Executive Board in its decision 2007/43, in which it decided to withhold a maximum of $11.0 million from the projected annual additions to the operational reserve over two years to partially fund the one-time cost of regionalization. The operational reserve was increased by $0.7 million at the end of 2007.

22. At 31 December 2007, $4.9 million (2005: $4.4 million) for security requirements, $3.7 million (2005: -$0.2 million) for the enterprise resource planning system, $3.9 million (2005: $2.4 million) for procurement services and $21.3 million (2005: nil) for regionalization were earmarked respectively out of the total programmable fund balance.

Other assets and liabilities

23. As at 31 December 2007, total current assets, which exclude investments maturing in more than three years, were $328.2 million (2005: $172.9 million) compared with total current liabilities of $92.4 million (2005: $49.1 million), giving a current ratio, which measures the Organization's ability to meet its current obligations, of 3.6 (2005: 3.5).

Cash and investments

24. At 31 December 2007, cash and investments held by UNFPA totalled $303.8 million (2005: $118.8 million) and $290.8 million (2005: $227.3 million) under regular and other resources respectively.

25. Schedule 8 provides an analysis of investment by type of security and by fund or reserve.

C. Other resources

Co-financing

26. Activities financed by co-financing funds are summarized in table I.3.

Table I.3
Co-financed activities

(Millions of United States dollars)

	Trust fund	*Thematic trust fund*	*Cost-sharing*	*Other trust funds*	*Total 2006-2007*	*Total 2004-2005*
Fund balance as at 1 January	90.9	22.9	24.9	6.8	145.5	101.1
Contributions	342.7	26.8	47.2	1.0	417.8	289.4
Programme activities	(262.1)	(34.3)	(53.9)	(0.2)	(350.5)	(250.0)
Other income, expenditure and adjustments	(1.8)	0.5	(2.1)	1.6	(1.8)	5.0
Fund balance as at 31 December	**169.8**	**15.9**	**16.1**	**9.3**	**211.1**	**145.5**

27. The balance of co-financing funds held at 31 December 2007 was $211.1 million (2005: $145.5 million).

28. Contributions to trust funds and cost-sharing represented 88.7 per cent and 11.3 per cent of contributions to co-financing resources respectively (2005: 78.5 per cent and 21.5 per cent).

29. Schedule 6 provides an analysis of co-financing funds by donor.

Procurement services

30. Procurement service income increased from $71.0 million in the biennium 2004-2005 to $73.2 million in 2007. Expenditure decreased from $69.1 million in 2005 to $67.3 million in 2007.

31. The increase in procurement service income is attributable to significant new agreements entered into with Government clients and United Nations agencies.

32. Schedule 7 provides an analysis of procurement services by client.

Junior Professional Officer Programme

33. Junior Professional Officer service income increased from $4.7 million in the biennium 2004-2005 to $5.1 million in 2007. Expenditure increased from $2.3 million in 2005 to $4.4 million in 2007.

Chapter II
Report of the Board of Auditors

Summary

The Board of Auditors has audited the financial statements of the United Nations Population Fund (UNFPA) for the biennium ended 31 December 2007. The audit was carried through field visits to country offices in Malawi, Mozambique, Pakistan, Peru, South Africa and the Syrian Arab Republic and to the Procurement Services Section in Copenhagen, as well as a review of the financial transactions and operations conducted at UNFPA headquarters in New York.

The Board also addressed special requests made by the Advisory Committee on Administrative and Budgetary Questions and the General Assembly.

The Board issued a modified opinion with one emphasis of matter paragraph on the financial statements for the period under review, as reflected in chapter III. The emphasis of matter paragraph relates to the Board's concern about expenditure incurred through the nationally executed expenditure modality. This concern relates to unsatisfactory results reflected in audit reports furnished by auditors of nationally executed expenditures and shortcomings in the audit process relating to such expenditures.

Coordination with internal audit

The Board coordinated with the Division for Oversight Services in planning the audit in order to avoid duplication of effort. In addition, the Board reviewed the internal audit coverage of the operations of the United Nations Population Fund to assess the extent to which reliance could be placed on the Division's work.

Follow-up of previous recommendations

In response to a request of the Advisory Committee on Administrative and Budgetary Questions and in line with paragraph 7 of General Assembly resolution 59/264 A, the Board evaluated the ageing of its previous recommendations that had not yet been fully implemented and has indicated the financial periods in which such recommendations were first made.

The Board noted that there were no recommendations that had not been implemented, all of them having been implemented either fully or partially. The nature of partially implemented recommendations is that they are recurring and as such implementation is ongoing.

Overall financial overview

For the period under review, total income was $1.36 billion, compared with $1.07 billion for the previous biennium, an increase of 27 per cent. Total expenditure amounted to $1.17 billion, compared with $0.97 billion for the previous biennium, an increase of 20 per cent. This resulted in an excess of income over expenditure of $192 million, compared with an excess of $92 million in the preceding biennium. The operational reserve for the period under review amounted to $72.8 million (2005: $70.2 million), while the reserve for field accommodation amounted to

$5 million (2005: $5 million). The programmable fund balances were $292.6 million (2005: $205.7 million).

End-of-service liabilities, including after-service health insurance

The financial statements for the period under review (note 16) reflected a provision for end-of-service liabilities amounting to $93.4 million. Of that amount, $72.8 million represented after-service health insurance, $9.8 million related to unused vacation leave credits, $2.1 million represented termination indemnity and $8.7 million represented repatriation benefits.

The Board has validated the recorded end-of-service liabilities through reliance on the actuarial valuation done by the consulting actuary and the Board's own procedures. An amount of $61.2 million for after-service health insurance is provided from the operating reserves, while only $11.6 million is unfunded at present.

Progress towards the implementation of the International Public Sector Accounting Standards

The Board noted that UNFPA had a plan for implementation of the International Public Sector Accounting Standards (IPSAS) and that it had identified two standards for early adoption in 2008. The early partial implementation of IPSAS presents some unique challenges for UNFPA, as other Atlas user agencies are not scheduled to implement IPSAS until 2010 and an Atlas upgrade is scheduled for 2008.

Results-based management and budgeting

The Board noted the following weaknesses in the area of results-based management and budgeting:

(a) Several outcome indicators were broad and not clearly measurable and did not reflect baselines and annual targets against which to measure actual performance;

(b) 26 per cent of country offices did not submit their annual reports by the due date of 22 January 2007;

(c) Only eight (24 per cent) of headquarters divisions, branches and units submitted their annual reports by the due date;

(d) It was not always clearly possible to determine the extent of the Fund's progress in achieving its goals and outcomes owing to a lack of specific and relevant targets for the reporting period.

Treasury management

The Board noted that one country office had several long-outstanding items and there was no evidence that the bank reconciliation for 31 July 2006 for the account had been reviewed.

Upon reviewing the petty cash processes at country offices, the Board noted several instances in which there was no evidence of monthly cash counts nor of reconciliations of petty cash, and in some cases there was inadequate supporting documentation for transactions and inadequate evidence of review of documentation by an authorized person.

Asset management

At Headquarters and some country offices, some assets were noted not to have the relevant serial numbers.

At a country office, the Board noted that certain assets authorized for disposal were still on hand two years later.

During the physical verification of assets at a country office, the Board noted assets that had not been recorded in the asset register.

The Board reviewed the fixed asset registers for accuracy and noted that certain asset identification numbers were missing.

Expendable property

The Board noted that the value of Global Contraceptive Commodity Programme stocks of $1.2 million had not been disclosed in the financial statements as required by UNFPA financial regulation 14.10.

The Board found that the financial reports on the stocks had not been prepared monthly and sent to headquarters throughout 2006 and up to July 2007.

The Board noted that Global Contraceptive Commodity Programme cyclical stock counts had not been performed as required by the guidelines.

Human resources management

The Board noted the following weaknesses with regard to human resources management:

(a) Performance appraisal target deadlines had not been met even after the initial deadlines were revised;

(b) Leave administration was inadequate in many respects;

(c) Leave records for international and local staff at country offices were maintained on an ad hoc manual basis;

(d) High vacancy rates and delays in filling vacant positions were observed;

(e) A succession planning framework had not been formulated.

Consultants, experts and temporary assistance

The Board noted the following deficiencies in its various reviews of this area:

(a) Contractors with special service agreements were contracted for longer than the period allowed (11 consecutive months);

(b) Special service agreements were extended without the mandatory break (four months) required by the guidelines;

(c) Selection criteria were not always documented as required by the guidelines for special service agreements;

(d) Semi-annual reports required to be submitted to the Division for Human Resources by country offices had not been submitted by all country offices.

Information technology

The Board noted that various country offices either did not have a documented country office-specific business continuity/disaster recovery plan or had an inadequate plan that was not in line with best practice.

Enterprise resource planning systems

In the previous biennium a review was performed on Atlas, which identified a number of shortfalls or weaknesses in the system. In the current biennium, a firm was appointed to perform a follow-up review of the weaknesses identified, however at the time of the audit the review had not yet been finalized.

Internal audit function

The Board noted that the Division for Oversight Services works on the basis of an annual workplan. In 2006, the Division planned 31 audits and programme performance assignments, 2 of which were carried forward and 1 of which was cancelled. In 2007, the Division planned 21 audits, 3 of which were carried forward and 1 of which was cancelled; the remainder were completed.

On review of the audit plans and reports of the Division, the Board noted that the Division's review included only country office visits and nationally executed expenditure audit results; there was no coverage of UNFPA headquarters and financial statement matters.

In September 2006 a quality assurance peer review was conducted by the Institute of Internal Auditors on the Division in keeping with best practice and in compliance with Institute standards.

The quality assurance peer review gave the Division a rating of "partially conforms" on the overall evaluation and a rating of "generally conforms" on compliance with the Institute's code of ethics.

Internal audit findings

A detailed listing of significant findings from audits performed by the Division for Oversight Services is provided in the present report.

Programme and project management, including nationally executed expenditure

The Board noted various deficiencies with regard to the process of auditing nationally executed expenditure and the reports received from auditors of such expenditure. Those concerns included the extent of qualified project audit reports, projects for which no reports had been obtained and inconsistent reporting standards.

The Board also noted shortcomings in the process of selecting and appointing auditors and discrepancies in the logs and databases maintained of nationally executed expenditure audit results. These are discussed in greater detail in the report.

Revenue-producing activities

The Board noted that while an agreement existed between UNFPA and UNDP to recover costs on a monthly basis, invoices were sent to UNFPA only on an annual basis.

Transportation and travel management

The Board noted deficiencies in travel management relating to travel requests, claims and reports being submitted late.

Inter-agency coordination

Memorandums of understanding between UNFPA and UNDP were noted to be either unsigned or signed late. This is of concern, as UNDP performs administrative functions for most UNFPA country offices and maintains bank accounts on their behalf.

Procurement Services Section

UNFPA established a specialist Procurement Services Section in Copenhagen. The Section also performs third-party procurement. The Board visited the Section and noted several deficiencies and areas for improvement covering the management of procurement activities.

Write-offs and disposals

UNFPA notified the Board that it had made write-offs amounting to $132,147 during the biennium.

Ex gratia payments

UNFPA notified the Board that it had made only one ex gratia payment, amounting to $10,000, during the biennium.

Cases of fraud and presumptive fraud

UNFPA notified the Board of 11 cases of fraud and presumptive fraud. Four cases did not result in any financial loss, six resulted in a loss of $72,777 and one case is still under investigation and could result in a loss of $10,000.

Recommendations

The Board has made several recommendations based on its audit. The main recommendations are set out in paragraph 9 of the report.

A. Introduction

1. Mandate, scope and methodology

1. The Board of Auditors has audited the financial statements of the United Nations Population Fund (UNFPA) and reviewed its operations for the financial period from 1 January 2006 to 31 December 2007 in accordance with General Assembly resolution 74 (I) of 7 December 1946. The audit was conducted in conformity with article VII of the Financial Regulations and Rules of the United Nations and the annex thereto (see ST/SGB/2003/7), as well as the International Standards on Auditing. Those standards require that the Board plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free of material misstatement.

2. The audit was conducted primarily to enable the Board to form an opinion as to whether the financial statements presented fairly the financial position of the United Nations Population Fund as at 31 December 2007 and the results of its operations and cash flows for the financial period then ended, in accordance with the United Nations system accounting standards. This included an assessment as to whether the expenditures recorded in the financial statements had been incurred for the purposes approved by the governing bodies and whether income and expenditure had been properly classified and recorded in accordance with the UNFPA financial regulations and rules. The audit also included a general review of financial systems and internal controls and a test examination of the accounting records and other supporting evidence to the extent that the Board considered necessary to form an opinion on the financial statements.

3. In addition to the audit of the accounts and financial transactions, the Board carried out reviews of Fund operations under financial regulation 7.5, which requires the Board to make observations with respect to the efficiency of the financial procedures, the accounting system, the internal financial controls and, in general, the administration and management of UNFPA operations. The General Assembly had also requested the Board to follow up on previous recommendations and to report on them accordingly. Those matters are addressed in paragraphs 11 to 15 below.

4. The Board did not review UNFPA activities related to its regionalization strategy, as it had not yet been completed, or to the implementation of the harmonized approach to cash transfers modality, which was still under implementation.

5. The Board continued to report the results of audits to the Administration in the form of management letters containing detailed observations and recommendations. This practice allowed for ongoing dialogue with the Administration and also for the Administration to address certain interim findings. In this regard, eight management letters were issued covering the period under review.

6. Where observations in the present report refer to specific locations, such observations are limited to the locations specified. They do not in any way imply that they are applicable to other locations, nor do they imply that they do not also exist at other locations.

7. The present report covers matters that, in the opinion of the Board, should be brought to the attention of the General Assembly. The Board's observations and

conclusions were discussed with the Administration, whose views have been appropriately reflected in the report.

2. Coordination with internal audit

8. The Board continues to coordinate with the Division for Oversight Services in the planning of its audits in order to avoid duplication of effort and to determine the extent to which its work can be relied on.

3. Main recommendations

9. The Board's main recommendations are that UNFPA:

(a) **Develop a financing plan for the unfunded portion of end-of-service liabilities (para. 43);**

(b) **Implement project risk management methods to mitigate the risks arising from the implementation of the International Public Sector Accounting Standards (IPSAS) throughout the life of the project (para. 47);**

(c) **Investigate concerns raised about biennial support budget posts (administration function) being funded from project funds and take corrective action where necessary, and incorporate during the budget process the principle that such posts should be funded only from biennial support budget funds (para. 164);**

(d) **Categorize qualified audit opinions according to type, such as "except for", "disclaimer", or "emphasis of matter", in the database to ensure that the significance and impact of qualifications are noted; ensure that audit reports are captured correctly on the database; and clarify the terms of reference for project auditors, including the exact coverage of project expenditure and the basis for expressing audit opinions (para. 201);**

(e) **Apply methods to improve the submission rate of nationally executed expenditure project audit reports (para. 202);**

(f) **Urgently address through its operational and management processes the matter of qualified nationally executed expenditure audit reports (para. 203);**

(g) **Ensure that consideration is given to independence, affiliation with professional bodies and compliance with the International Standards of Auditing when selecting auditors and ensure that auditors issue engagement letters before audit work is performed (para. 208);**

(h) **Take steps to follow up the differences noted between the advances outstanding according to the audit reports and the general ledger and implement measures and controls in all country offices and at headquarters to reconcile advances and expenditure per project on a regular basis (para. 258);**

(i) **Account for only the portion that relates to its cost-recovery fees as income, account for the portion of the advance payment that is not fully utilized as a liability and derecognize the expenditure incurred for third-party procurement as part of its own expenditure (para. 297);**

(j) **Ensure that the Division for Oversight Services increases coverage of headquarters and financial statement matters (para. 371).**

10. The Board's other recommendations appear in paragraphs 26, 29, 54, 59, 67, 72, 75, 79, 84, 88, 93, 99, 102, 106, 115, 120, 126, 133, 140, 145, 146, 154, 167, 174, 176, 182, 186, 221, 223, 229, 233, 245, 259, 274, 280, 285, 290, 304, 305, 316, 321, 331, 336, 344, 348, 355, 359, 364, 367 and 397. The recommendations do not address sanctions or disciplinary steps which the Administration may wish to impose on defaulting officials for consistent failure to ensure compliance with the Financial Regulations and Rules of the United Nations, administrative instructions and other related directives.

B. Detailed findings and recommendations

1. Follow-up of previous recommendations

11. In accordance with section A, paragraph 7, of General Assembly resolution 51/225, the Board reviewed the actions taken by the United Nations Population Fund to implement the recommendations made in its report for the biennium ended 31 December 2005.

12. Of the 42 recommendations that were made, 20 were fully implemented while 22 were partially implemented (see annex).

Recommendations partially implemented

13. The reason for the partial implementation of recommendations is mainly that the recommendations are ongoing in nature and cannot be fully implemented immediately. In addition, with regard to some of the recommendations, the Board has noted improvements resulting in the partial implementation of recommendations.

Ageing of previous recommendations

14. The Board also evaluated the age of the recommendations made for the previous biennium that were partially implemented, as requested by the Advisory Committee on Administrative and Budgetary Questions (A/59/736, para. 8). The financial periods for which such recommendations were first made are indicated in the annex.

15. Of the 22 partially implemented recommendations, 11 relate to the 2004-2005 period and 11 to 2002-2003.

2. Overall financial overview

Key financial ratios

16. The ratio analysis in table II.1 indicates that UNFPA had a healthy financial position even though the cash to total assets and cash to liability ratios suggest otherwise. This is due only to the fact that excess cash of UNFPA was transferred to investments (term deposits), which totalled $593.7 million (2004-2005: $340.6 million); UNFPA holds minimal cash balances in order to optimize the return from investments. The asset to liability ratio deteriorated compared with the

previous period, which is explained by the recognition for the first time of end-of-service liabilities in the financial statements.

Table II.1
Ratios of key financial indicators (regular resources)

	Biennium ended 31 December			
Ratio	*2003*	*2005*	*2007*	*Component of 2007 ratio*[a]
Cash/total assets[b]	0.07	0.01	0.001	820/626,750
Current assets/current liabilities (liquidity ratio)[c]	3.03	3.21	3.840	625,750/162,983
Near cash/liability[d]	0.22	0.04	0.003	820/256,387
Assets/liabilities[e]	3.03	3.21	2.440	626,750/256,387
Unliquidated obligations/total liabilities[f]	0.80	0.80	0.300	72,593/256,387

[a] In millions of United States dollars.
[b] A high indicator depicts a healthy financial position.
[c] A favourable indicator is a ratio above 1.
[d] A low indicator is a reflection that insufficient cash is available to settle debts.
[e] A high indicator is a reflection of sufficient assets to cover all liabilities.
[f] A low indicator is a positive reflection that obligations are being liquidated.

17. UNFPA improved its financial position in the current biennium as evidenced by the liquidity ratio, which shows that UNFPA had $3.84 (2004-2005: $3.21) in short-term resources to service each dollar of current debt. The acceptable norm is to have one dollar available to service each dollar of current debt. In comparison with the prior biennium this position had improved owing to increased business activity in the current biennium, which was supported by an increase in contributions and to the fact that unliquidated obligations had decreased significantly compared with the prior biennium.

18. The financial position of UNFPA was also supported by the solvency ratio, which showed that UNFPA has $2.44 (2004-2005: $3.21) to service each dollar of long-term debt. The acceptable norm is to have two dollars available to cover each dollar of debt. The reason for the deterioration in comparison to the prior year is the recognition for the first time of end-of-service liabilities.

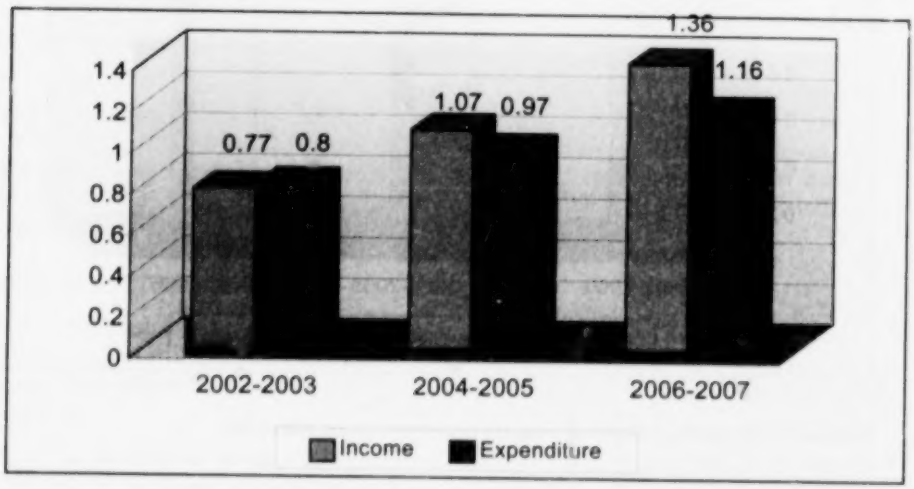
3. Statement of income and expenditure

19. Total income for the period under review amounted to $1.36 billion (2004-2005: $1.07 billion), while total expenditure amounted to $1.17 billion (2004-2005: $0.97 billion), yielding an excess of income over expenditure of $192 million (2004-2005: $92 million). Comparative income and expenditure for the financial periods 2004-2005 and 2006-2007 are shown in figure II.I.

20. The financial performance of UNFPA indicates an overall surplus of $189.4 million (2004-2005: $92.2 million) after adjustments for debts for which collection is considered doubtful and prior-year adjustments. This is attributable to increased donor contributions as well as the $33.7 million received by UNFPA into the private endowment trust, which was previously held by the Americans for UNFPA organization.

21. A total of 31.3 per cent of total expenditure was spent on biennial support (administrative expenses). This compares with 30.1 per cent in 2004-2005 and 35.3 per cent in 2002-2003.

Figure II.I
Comparative income and expenditure
(Billions of United States dollars)

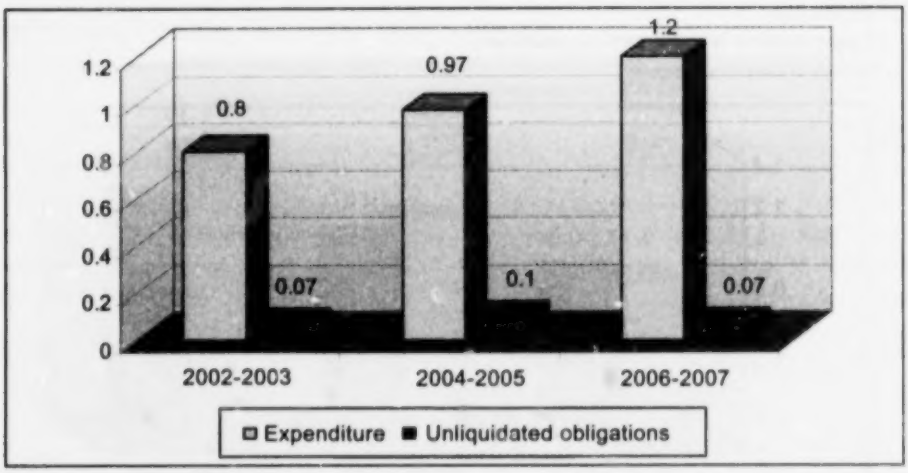


22. The increase in expenditure of $190 million, or 19.5 per cent, was attributable mainly to the increase in contributions, thereby leading to increased spending on programme and biennial support costs.

Unliquidated obligations

23. Unliquidated obligations as at 31 December 2007 amounted to $72.6 million (2004-2005: $99 million), representing 6 per cent of total expenditure and a reduction of $26 million, or 27 per cent, compared with the prior biennium. Unliquidated obligations compared with total expenditure for the bienniums 2002-2003, 2004-2005 and 2006-2007 are illustrated in figure II.II. The decrease is attributable to greater review of open unliquidated obligations at the end of the period.

Figure II.II
Unliquidated obligations versus total expenditure
(Billions of United States dollars)



4. Statement of assets, liabilities and reserves and fund balances

Accounts receivable: education grants

24. The Board performed a review of education grant advances to assess their recoverability, and the following was noted: paragraph 11 of information circular ST/IC/2002/5 states that if the advance is not cleared by settlement of the relevant education grant claim for the previous year, it will be recovered from the staff member's salary in accordance with section 6.2 of administrative instruction ST/AI/1999/4. Any advance will be considered as due from the staff member until it is either discharged by certification of the entitlement or recovered from the staff member's salary. Recovery from staff members will take place automatically three months after the end of the academic year for Headquarters staff and four months after the end of the academic year for field staff.

25. The Board noted that included in the total balance of education grant advances was a net amount of $71,452 (credit balances of $94,586 and debit balances of $166,038) that was outstanding for a period of over one year. This indicates either non-compliance with the information circular or possible mispostings.

26. **The Board recommends that UNFPA clear all long-outstanding amounts (debits and credits) from staff education grants and regularly reconcile the account to comply with paragraph 11 of ST/IC/2002/5.**

27. UNFPA informed the Board that the net balance of $71,452 as at 31 December 2007 was a combination of debit and credit balances comprising $8,392 relating to gains and losses on exchange adjustments, $135,414 relating to recovered amounts not posted in Atlas, a credit of $94,586 relating to recoveries without corresponding adjustments and $22,232 relating to advances that were under investigation. Furthermore, the amount relating to recovered amounts not posted in Atlas has been recognized by UNDP and has subsequently been cleared.

Accounts receivable: receivables due in one year

28. The Board performed a review of receivables due in one year to assess the recoverability of the balances. It was noted that the accounts receivable balance of $216,020 included $181,825 of receivables that had been outstanding for over one year, which indicates that those amounts are not recoverable and may require write-off or adjustment for errors.

29. **The Board recommends that UNFPA adopt and apply a policy to assess the recoverability of long-outstanding debts.**

30. UNFPA informed the Board that it had reviewed this account and identified all long-outstanding amounts and that correcting entries had been made in 2008. Furthermore, UNFPA was corresponding with United Nations agencies to reconcile those amounts on an ongoing basis. UNFPA further informed the Board that it had an established policy to review and reconcile outstanding balances, including balances with other United Nations agencies.

5. Reserves and fund balances

31. UNFPA disclosed three types of reserves and fund balances in its financial statements, with the detailed breakdown disclosed in statement 4. These are the operational reserve, the reserve for field accommodation and programmable fund balances.

32. The operational reserve for the period under review amounted to $72.8 million (2005: $70.2 million), the reserve for field accommodation amounted to $5 million (2005: $5 million) and the progammable fund balances totalled $292.6 million (2005: $205.7 million).

33. The increase in reserves was due to the net excess of income over expenditure of $189.4 million compared with $92.2 million in 2004-2005. This increase in reserves was achieved even though UNFPA had recognized end-of-service liabilities, including after-service health insurance benefits of $93.4 million.

34. Total reserves represent 232 days of total expenditure compared with 210 days in the previous biennium. This means that the Fund's reserves have continued to grow and that UNFPA has sufficient reserves to continue programme activity and biennial support for a period in excess of six months in the absence of additional cash flows.

6. End-of-service liabilities, including after-service health insurance

35. In relation to the financial reporting of end-of-service liabilities in accordance with General Assembly resolutions 60/255 and 61/264, the Administration changed the presentation of end-of-service liabilities for the biennium from disclosure in the notes to the financial statements to presentation on the face of the statements.

36. The financial statements for the period under review reflected end-of-service liabilities of $93.4 million (see table II.2).

Table II.2
End-of-service liabilities as at 31 December 2007

(Millions of United States dollars)

Category	*Amount*
After-service health insurance	72.8
Repatriation grant	8.7
Termination indemnity	2.1
Leave encashment	9.8
Total	**93.4**

37. The liability for after-service health insurance is determined by means of an independent actuarial valuation using the discounted present value of after-service health insurance costs to be paid in the future for both current retirees and eligible active staff members expected to retire while employed by UNFPA.

38. The repatriation grant is calculated by applying the number of staff as at 31 December 2007 to the entitlement period and to the monthly average salary (reduced by 10 per cent to account for staff members who might not be entitled to the grant).

39. The termination indemnity is calculated as 4 per cent of the number of staff members as at 31 December 2007 multiplied by the number of months in the entitlement period and the monthly average salary (representing staff members who are expected to retire in the near future).

40. The leave encashment liability is calculated by applying the number of staff members as at 31 December 2007 to the average number of leave days and to the monthly average salary. The Board noted several shortcomings in the administration of leave that could affect the accuracy of the calculations supporting this liability.

41. The Board validated the end-of-service liabilities through reliance on the actuarial valuation done by the consulting actuary and the Board's own procedures.

42. An amount of $61.2 million for after-service health insurance is funded from operating reserves, with only $11.6 million remaining unfunded.

43. **UNFPA agreed with the Board's recommendation that it develop a financing plan for the unfunded portion of end-of-service liabilities.**

7. Progress towards the implementation of the International Public Sector Accounting Standards

44. In accordance with General Assembly resolution 61/233 A and in response to the comments of the Advisory Committee on Administrative and Budgetary Questions in its report A/61/350, the Board decided to carry out a gap analysis relating to the implementation of IPSAS as well as upgraded enterprise resource planning systems. The Advisory Committee had commented on the desirability of such systems fully taking into account the detailed requirements of IPSAS.

45. The Board noted that UNFPA had an adequate IPSAS implementation plan and that it had identified two standards, concerning expense recognition based on the

"delivery principle" of goods and services and revenue recognition on voluntary contributions and funding agreements, for early adoption in 2008. Furthermore, an upgrade of the Atlas system to version 9.0 is expected to take place in 2008. In its roll-out plan UNFPA stated that as part of the upgrade, the system would be configured to support IPSAS standards, where applicable.

46. UNFPA shares an enterprise resource planning system (Atlas) with other United Nations agencies, which plan to implement IPSAS beginning in 2010. An Atlas upgrade is also planned during the current biennium, which presents unique challenges to UNFPA, as different Atlas agencies will be employing different accounting methods.

47. **The Board recommends that UNFPA implement project risk-management methods to mitigate the risks arising from the implementation of IPSAS throughout the life of the project.**

48. UNFPA informed the Board that the IPSAS implementation plan was mandated by the General Assembly, that the implementation schedule was agreed upon by the IPSAS inter-agency group and that it would bring the concerns of the Board to the attention of the IPSAS forums. Furthermore, UNFPA informed the Board that the introduction of the revenue recognition standards might be delayed until 2010.

8. Results-based management and budgeting

49. Results-based management is a management strategy or approach by which an organization ensures that its processes, products and services contribute to the achievement of clearly stated results. Results-based management provides a coherent framework for strategic planning by improving learning and accountability. It also aims to make important changes in the way in which agencies operate by improving performance, defining realistic expected results, monitoring progress towards the achievement of expected results, integrating lessons learned into management decisions and reporting on performance.

50. The multi-year funding framework, 2004-2007 (DP/FPA/2004/4), is the UNFPA medium-term strategic plan and main policy document. The framework comprises a strategic results framework and an integrated resources framework. The strategic results framework specifies clearly defined organizational goals, as well as indicators to monitor progress towards them and strategies to achieve them. The integrated resources framework contains an estimate of the resource requirements for the period 2004-2007.

51. The strategic results framework is the key organizational framework for directing work towards the achievement of goals set at the International Conference on Population and Development and the Millennium Development Goals. The framework sets out both goals and outcomes. There are three goals, on reproductive health, population and development, and gender equality and women's empowerment, and six outcomes to which UNFPA programmes will contribute through their outputs. The framework also requires that a defined set of indicators be used to measure progress.

Strategic results framework indicators

52. In paragraph 127 of its previous report (A/61/5/Add.7, chap. II), the Board noted that the goal and outcome indicators of the strategic results framework did not always clearly define the results for which UNFPA was accountable. The Board performed a review of the outcome indicators as presented in the strategic results framework of the multi-year funding framework. It was observed that the outcome indicators were broad, not clearly measurable and did not reflect baselines and annual targets against which to measure performance. The following extracts of outcome indicators that are broad and not specific enough and that do not reflect baselines and targets are provided in table II.3.

Table II.3
Non-specific outcome indicators

Goal	*Outcome*	*Outcome indicators*	*Remarks of the Board*
All couples and individuals enjoy good reproductive health, including family planning and sexual health, throughout life	Policy environment that promotes reproductive health and rights	National or subnational policies in place to increase the access of youth to quality reproductive health information and services	Indicators are broad, not measurable and do not reflect baselines and targets
	Demand for reproductive health is strengthened	Proportion of women who have the final say in decisions about their own health care	Indicators are broad, not measurable and do not reflect baselines and targets
Countries address interactions between population dynamics, sustainable development and poverty, including the impact of HIV/AIDS	National, subnational and sectoral policies, plans and strategies take into account population and development linkages	Population and poverty linkages explicit in national development policies and plans and poverty reductions strategies	Indicators are broad, not measurable and do not reflect baselines and targets
Gender equality and empowerment of woman are achieved	Institutional mechanisms and sociocultural practices promote and protect the rights of women and girls and advance gender equity	Civil society partnerships actively promoting gender equality, women's and girls' empowerment and reproductive rights	Indicators are broad, not measurable and do not reflect baselines and targets

Source: DP/FPA/2004/4.

53. UNFPA reports on its results in order to inform partners and Member States on the progress of its development achievements. In the absence of specific and measurable indicators, which include baselines and targets, it will be difficult for UNFPA to monitor and report progress.

54. **UNFPA agreed with the Board's recommendation that it include indicators that are specific and measurable in its strategic results framework.**

55. UNFPA advised that this recommendation had been addressed in its new strategic plan, in which outcomes and indicators have been more clearly defined. **Following the 2007 reporting exercise, UNFPA has established baselines and targets for the results indicators of the new strategic plan. The baselines and targets were brought to the annual session of the Executive Board in June 2008.**

Multi-year funding framework cumulative report

56. The information documented in annexes 2 and 3 of the multi-year funding framework cumulative report, 2004-2007 (DP/FPA/2007/7 (Part I)), were obtained from the data recorded in the remote data-entry facility by country offices and headquarters units. The Strategic Planning Office verified some of the data and generated certain extracts, which were recorded in the same annexes. This information forms the basis of the cumulative report, which is submitted to the Executive Board.

57. The Board observed from annexes 2 and 3 to that report that it was not possible to determine whether UNFPA had made progress in achieving its goals and outcomes owing to the lack of specific and relevant targets for the reporting period. No baselines or targets had been set when the outcome indicators were determined in the preparation of the multi-year funding framework, 2004-2007. Examples of progress reported between 2004 and 2006 in annexes 1 and 2 of the cumulative report are presented in table II.4 but owing to a lack of specific targets for the reporting period, it was not possible to clearly determine the extent of UNFPA progress.

Table II.4
Documented indicators of achievement

Outcome indicator	*Results 2004*	*Results 2006*	*Remarks by the Board*
Percentage of countries with contraceptive prevalence rate (modern method) at least 30 per cent out of the reporting countries	55	60	Not clear whether UNFPA had achieved its targets for the reporting period as no targets were set
Number of countries with discriminatory provisions against women and girls in legislation	National: 25 Subnational: 50	National: 37 Subnational: 64	Not clear whether UNFPA had achieved its targets for the reporting period as no targets were set
Number of country offices with major or moderate involvement in establishing a government budget line for contraceptives and increasing the allocation over time	43	63	Not clear whether UNFPA had achieved its targets for the reporting period as no targets were set, and "major or moderate involvement" is not defined

Outcome indicator	*Results 2004*	*Results 2006*	*Remarks by the Board*
Number of country offices with major or moderate interventions supporting linkages of population and poverty in national development policies and plans and in poverty reduction strategies	43	71	Not clear whether UNFPA had achieved its targets for the reporting period as no targets were set, and "major or moderate interventions" is not defined

Source: DP/FPA/2007/7 (Part I)).

58. The lack of specific and relevant targets for the outcome indicators complicated performance measurement. If specific and relevant targets had been set for the outcome indicators and the information reported for 2004 had been used as baseline, UNFPA would have been in a position to report on the actual progress made to the end of 2006 in reaching the goals and outcomes as documented in the multi-year funding framework, 2004-2007.

59. **UNFPA agreed with the Board's recommendation that it ensure that all outcome indicators have baseline data and that it set specific targets for future periods.**

Country office and headquarters annual reports

60. The multi-year funding framework cumulative report, 2004-2007, was prepared in response to UNFPA Executive Board decisions 2004/7 and 2004/20. It constitutes a cumulative review of the implementation of the 2004-2007 multi-year funding framework. Annex 2 to the report presents key outcome indicators and annex 3 shows the progress of UNFPA country offices in achieving key outcomes. The report uses data and information gathered from internal reporting by country offices and headquarters units.

61. To enable UNFPA headquarters to compile the cumulative report, country offices and headquarters divisions, including branches and units, were required to complete annual reports. The reports analyse and report on the performance of each country office and headquarters division and are important components of the UNFPA accountability and reporting system. The country offices and headquarters units are required to submit their annual reports online through the remote data entry facility. The reports are necessary for tracking compliance with the multi-year funding framework goals and outcomes. Without this mechanism, the concept of results-based management would be less effective.

62. UNFPA agreed with the Board's recommendation in paragraph 126 of the prior year's report that it address the incomplete annual reporting of performance results.

63. Country offices were supposed to submit their annual reports by 22 January 2007 under guidelines dated 28 September 2006. According to statistics provided to the Board, 87 (74 per cent) of the 118 country offices submitted their reports by the due date; 19 were submitted within two weeks of the deadline and 12 were submitted later.

64. Of the 34 headquarters divisions, branches and units, 8 (24 per cent) submitted their reports by the due date and 26 submitted them later.

65. The late submission of annual reports could indicate inadequate control measures to ensure their timeliness and could also affect the verification of the performance data recorded and timely reporting to the Executive Board on progress made with regard to the achievement of goals and outcomes as documented in the multi-year funding framework.

66. UNFPA stated that it had made consistent efforts to ensure timely submission and that it had identified the need for verification and validation of the self-reported data to be addressed in the new strategic plan.

67. **UNFPA agreed with the Board's recommendation that it ensure that all reporting entities complete and submit annual reports by the deadline so that information to be reported in the multi-year funding framework cumulative report can be verified and compiled.**

68. UNFPA informed the Board that, although the timeline for completion of the 2007 country office annual report was shorter, 115 offices had completed the report within a week after the deadline, 5 country offices had requested an extension of the deadline owing to special circumstances and 1 country office had submitted a joint report with the United Nations country team. Furthermore, the headquarters annual report submission showed improvement for 2007, with 28 reports submitted in the remote data entry facility by the due date and only 6 submitted late.

Evidence supporting outcome indicators

69. Six outcome indicators were randomly selected from annexes 1 and 2 to the cumulative report to determine whether recorded data were substantiated by supporting documentation.

70. Information generated by queries/scripts from the remote data entry facility database was provided as supporting documentation. The summarized information was agreed to the reported information for the selected indicators in annexes 2 and 3. The Board, however, was not in a position to verify the accuracy of the information submitted. Queries/scripts are utilized to extract certain fields from the database for selected indicators. Country offices perform self-assessments, which are used in preparing their annual plans, and submit the information via the remote data entry facility to the Strategic Planning Office. While the Office performs certain validation operations, the data are not verified by means of actual supporting documentation.

71. The Board recognizes that capacity problems are experienced in certain country offices, but it is of the utmost importance to ensure that recorded evidence is verified and supported by actual documents. A risk exists that incorrect information may be reported in the cumulative report.

72. **UNFPA agreed with the Board's recommendation that it implement processes to ensure that information reported by country offices is verified and supported by documentation.**

73. UNFPA informed the Board that it had noted the limitation of the self-assessment of annual report data and that the new strategic plan included instituting a separate partners' survey for feedback on its programming in the next cycle. Also,

verification of annual report data/information is expected in selected countries in conjunction with the regular programme audits. Furthermore, UNFPA stated that it was working with United Nations partners to harmonize a survey methodology and nomenclature and that it was exploring the possibility of having joint pilot partner surveys in selected countries.

9. Treasury management

74. The Board noted that the "other clearing" account in the general ledger had a balance of $940,654 as at 31 July 2007. The balance was the same as at 31 December 2006 and had not been cleared. The transactions processed in the account were described as after-service insurance for retired employees. These long-outstanding items were contrary to the stipulations of UNFPA financial regulation 14.1.

75. **UNFPA agreed with the Board's recommendation that it resolve the long-outstanding transactions in the clearing account in the general ledger.**

76. UNFPA stated that the account was used for staff-related liabilities, and acknowledged that the description (other clearing) was misleading. The transactions listed were valid as at that date, in that they were awaiting disbursement or were under review. The amounts were monitored closely and reviewed periodically.

Long-outstanding checks not written back

77. UNFPA financial rule 113.2 (b) states that bank statements relating to accounts that are administered by UNFPA should be reconciled by the organizational unit authorized to use such accounts for disbursement. It is considered best practice that the process of reconciliation include the voiding of any cheques that are more than six months old, and they should be written back.

78. The Board noted cheques issued in 2005 that were still reflected as outstanding in the bank reconciliation as at 31 December 2006.

79. **UNFPA agreed with the Board's recommendation that it monitor and write back all long-outstanding cheques.**

Bank reconciliation not prepared for one country office

80. The UNFPA policy and procedures state that bank reconciliations for headquarters bank accounts should be prepared by the Finance Branch (the Finance Assistant), as set out in the service-level agreement with UNDP, and that they should be forwarded to the head office focal point (Finance Specialist) for review.

81. The Board selected a sample of bank reconciliations for three months, and it was noted that no reconciliation had been performed for the dollar account for 31 July 2006.

82. Also, the local currency-denominated account bank reconciliation did not have evidence of having been reviewed as it was not signed. The Board was provided with evidence that issues had been communicated to country office personnel by the Finance Specialist at headquarters, however no further evidence was provided indicating that the issues raised had been cleared and that the reconciliation had subsequently been signed off.

83. The Board noted that there was currently no stated policy that country office bank accounts must be reviewed by officials at the head office.

84. **The Board recommends that UNFPA reconcile and review the country office bank accounts.**

85. UNFPA stated that the primary responsibility for bank reconciliation lay with the country office and that the reconciliation had subsequently been completed. In this context, UNFPA has advised the Division for Oversight Services to audit the bank reconciliation during its upcoming audit in the country office. The Finance Branch in New York recognizes its responsibilities concerning the reconciliation of bank statements to the extent to which they affect the preparation and content of the financial statements. Thus, the Finance Branch will oversee the bank reconciliation in the country office.

Petty cash management

86. In an information circular dated 30 August 2004, UNFPA provided guidance on the management of petty cash in country offices. It states that on a regular basis, the UNFPA representative or his/her delegate will count the petty cash and reconcile the physical cash held to the amount recorded in the petty cash book and the Atlas account. In addition to these routine counts, surprise verifications should be made from time to time to ensure that the petty cash instructions are adhered to. All petty cash verifications — routine and surprise — should be documented to provide an audit trail.

87. Upon reviewing the petty cash processes, the Board noted that in several country offices there was evidence of neither the monthly cash counts nor of reconciliations performed by the representative or his/her delegates. In some cases there was inadequate supporting documentation for transactions and inadequate evidence of review by an authorized person.

88. **The Board recommends that UNFPA ensure that country offices implement adequate controls over petty cash to comply with the petty cash management guidelines.**

89. UNFPA informed the Board that it had advised country offices that on 31 December, the petty cash balance would be deposited in the bank and a new balance would be opened on 1 January and that compliance with petty cash guidelines would be included in the checklist to be submitted by country offices.

10. Procurement and contract management at country offices

90. The UNFPA procurement procedures state that procurement at a cost of more than $30,000 is subject to sealed competitive bidding. At one country office, the Board noted that procurement policies and procedures had not been followed. Specifically:

(a) The bidding process had not been advertised in a newspaper, however quotations had been invited from certain contractors, only four of which had responded;

(b) The Board could not verify that a "sealed bid" process had been followed under the terms of the procurement procedures as:

(i) One of the bidders had been asked to provide a quote and the bidder had submitted the documentation late by e-mail. UNFPA suggested a split award to this and another bidder. This was subsequently disapproved by the Contract Review Committee, as it was contrary to the procurement procedures;

(ii) The country office could not provide the Board with a file containing sealed envelopes received from the bidders;

(iii) From the discussion and inspection of correspondence and minutes the Board could not verify that bidders were allowed to be present; bids were opened in front of witnesses; and the names of the bidders and the total amounts were read aloud and recorded;

(c) An amount of $1.1 million approved by the Contract Review Committee head office differed from the $1.2 million disclosed in a contract signed by UNFPA and a contractor. No reasons could be provided for the difference;

(d) The Board could not obtain reasons for or the basis of an initial 25 per cent advance payment that was paid to the contractor (first down payment), except that it had been requested by the contractor;

(e) No legal action had been taken against the contractor to recover $163,050 owed to UNFPA for services not received.

91. Non-compliance with the bidding procedures may result in the selection of incompetent contractors and in the process being disputed by suppliers. Furthermore, the objectives or targets of the project may not be achieved. There is the additional risk that UNFPA may suffer a financial loss that could have been avoided had due care been taken and correct procedures followed.

92. The country office informed the Board that:

(a) The tender had not been advertised in the newspaper because it was an emergency situation;

(b) The envelopes containing technical and financial bids from various bidders had not been saved given the urgency. However, the country office has noted areas where improvements could be made in this case and made certain recommendations to headquarters on simplifying procedures and requirements in similar situations;

(c) Because of the non-approval by the Contract Review Committee, a vendor's submission was disregarded and the whole contract was awarded to another vendor;

(d) Owing to the emergency situation it was not possible for the country office to call bidders when the bids were opened. This was in accordance with the procurement guidelines, which allow the country office to call the bidders "where possible".

93. **The Board recommends that UNFPA identify the facts surrounding the highlighted procurement action and that steps be taken to address shortcomings in the bidding processes.**

94. UNFPA informed the Board that the Procurement Services Section in Copenhagen had established regional support teams to advise country offices on

best procurement practices and that compliance with procurement procedures was monitored by the Finance Branch and the Procurement Services Section.

11. Asset management

95. Non-expendable property consists of property and equipment valued at $1,000 or higher and a service lifetime of at least three years. As disclosed in note 22 to the financial statements, the value of non-expendable property holdings as at 31 December 2007 amounted to $51 million, a 43 per cent decrease from the previous period balance of $88.7 million resulting from the transfer of titles of all assets previously purchased for the exclusive use of implementing partners to implementing partners as from 1 January 2006.

Assets disposed of without serial numbers and identity tags

96. The Board reviewed a list of assets disposed of in the period under review and noted that some assets had neither serial numbers nor tag numbers to enable appropriate identification.

97. Certain assets that were retired or transferred had no serial numbers listed in the fixed assets register, contrary to the requirement. Out of a sample of 30 items selected, 27 items did not have the relevant serial numbers. Furthermore, of the 391 total items retired or transferred in the period under review, only 66 (17 per cent) were listed with serial numbers.

98. These inadequately identified assets create a risk of disposal without management authorization, leading to a loss of resources for the organization.

99. **UNFPA agreed with the Board's recommendation to appropriately record all assets that the organization has title to in the fixed asset register as required by the policies and procedures.**

100. UNFPA informed the Board that all assets newly recorded in its asset register included the above-mentioned required information. Assets that did not have serial numbers had been recorded prior to 2006, when it was not required. UNFPA also informed the Board that all assets recorded in the fixed asset register at headquarters had a tag number, which allowed the identification of the item, that all the retirements had been duly authorized by management and that the incomplete recording did not constitute a fraud risk.

Asset disposal

101. At one country office, the Board noted that authorization for the disposal of certain equipment and supplies amounting to $95,375 had been obtained from headquarters on 16 May 2005, however, as at the date of the audit, disposal had not taken place and the assets were still included in the asset register. There is a risk that the fixed asset note in the financial statements may be misstated by an estimated $95,375, as it could include assets that are obsolete or damaged and that should have been disposed of and removed from the asset register.

102. **UNFPA agreed with the Board's recommendation that it dispose of all assets authorized for disposal and adjust the asset register accordingly.**

Assets not included in the fixed asset register

103. During the physical verification of assets at a country office, the Board located assets belonging to the office that were not included in the fixed asset register. Among the assets were two vehicles and some furniture and equipment.

104. The Board reviewed the asset register for accuracy and noted that the identification numbers of the assets were not in the register. The Board was informed at the country office that Atlas omitted all assets that had reached a certain age even if the asset was still being used.

105. There is a risk that those assets may be susceptible to theft when they are not recorded in the fixed asset register. There is also a risk that the assets may still have a carrying value when they are omitted by the system, which could lead to the understatement of the non-expendable property. A monthly review of the asset register would have detected assets that had been inappropriately excluded.

106. **UNFPA agreed with the Board's recommendation that it review the fixed asset register regularly and maintain evidence of the review.**

107. UNFPA informed the Board that once an asset was registered in Atlas, it would be removed from the register only upon retirement and that the age of an asset did not affect the registration, therefore there was no additional risk of theft or possibility of understatement.

12. Expendable property

108. Expendable property consists of property and equipment valued at less than $1,500 per unit at the time of purchase and with a serviceable life of less than five years. There are, however, a number of exceptions to this rule.

109. UNFPA financial regulation 14.10 states that, in conformity with Executive Board decision 96/3, UNFPA may procure and hold stock of essential contraceptive products in order to promptly respond to emergency requests for assistance. The inventory value of these stock holdings should be shown in the accounts as an asset.

110. Paragraph 5 of the United Nations system accounting standards requires observance of the principles of prudence, substance over form and materiality in the selection and application of accounting policies. In addition, paragraph 49 requires disclosure of the value of inventories (other than non-expendable equipment, furniture and motor vehicles) and their recognition as assets in the financial statements at the end of the financial period.

111. The Board noted that there was no disclosure of the value of expendable property in the financial statements, although significant amounts of such property were held at warehouses of suppliers

Accounting for Global Contraceptive Commodity Programme stock

112. On inspection of UNFPA final financial statements for the biennium ended 31 December 2007, the Board noted that Global Contraceptive Commodity Programme stock with a value of $1.2 million had not been disclosed as required. This may indicate that assets were understated in the financial statements.

113. The UNFPA procurement procedures state that the UNFPA Procurement Services Section is responsible for: (a) establishing and administering a buffer stock

of contraceptives; (b) preparing updates and reports on the work of the Global Contraceptive Commodity Programme; and (c) maintaining liaison with the Finance Assistant.

114. The financial report on the Global Contraceptive Commodity Programme and reproductive health kits contained information on the shelf life of bulk stocks (condoms and pills) and reproductive health kits, and on the financial value of the stock items, including goods that were in production.

115. **The Board recommends that UNFPA capitalize the value of Global Contraceptive Commodity Programme stocks in its financial statements.**

116. UNFPA informed the Board that the value of such commodities was reflected in the notes to the financial statements and that it would ensure that the value of the stocks would be disclosed as required by IPSAS.

117. Disclosure in the notes is not sufficient, as financial regulation 14.10 provides that UNFPA may procure and hold stock of essential contraceptive products in order to promptly respond to emergency requests for assistance. The inventory value of those stock holdings should be shown in the accounts as an asset, as the United Nations system accounting standards do provide for the disclosure of inventory on the face of the balance sheet to be included as part of other assets.

118. During the review of financial reports on Global Contraceptive Commodity Programme stocks and reproductive health kits, which were expected to be sent to headquarters on a monthly basis, the Board found that the financial reports had been prepared and sent out only until July 2007.

119. The Procurement Services Section informed the Board that financial reporting did lapse in the latter part of 2007 because of a staff shortage caused by the departure of the team leader. This short staffing was exacerbated by high demand for reproductive health kits and Global Contraceptive Commodity Programme stocks owing to world events in late 2007. However, a year-end financial report on the value of Global Contraceptive Commodity Programme stocks was made and sent to the Finance Branch.

120. **The UNFPA Procurement Services Section agreed with the Board's recommendation that it prepare and send Global Contraceptive Commodity Programme stock reports to headquarters on a monthly basis.**

121. The Procurement Services Section informed the Board that the staff shortage situation had been alleviated, that the Section had restructured and formed a separate Emergency and Logistics Unit and that quarterly financial reporting would be carried out in the future. The Section would also work with the Finance Branch to ensure that the value of Global Contraceptive Commodity Programme goods was available for annual reporting as well as future disclosure in compliance with IPSAS. The first-quarter report was prepared in March 2008.

Global Contraceptive Commodity Programme inventory control

122. The UNFPA procurement procedures require that the Procurement Services Section prepare an annual cyclical stock-checking programme for all contraceptives to which UNFPA has secured title. Inspections should be conducted by specialized personnel offering a full guarantee of competence, ethics and security. The physical count should be reconciled for the particular location with the records maintained by

the Finance Assistant as at the date of the count. Discrepancies or other anomalies should be fully investigated by the Chief of the Section, who should submit a report to the Director, Division for Management Services. The procedures further state that stock-checking staff should provide a report containing extensive details.

123. According to Procurement Services Section personnel, the Section receives a monthly report from suppliers showing stock movement and expiry dates of stock on hand and as such, stock counts, as described above, were not performed by the Section. The Board was concerned that for a key asset such as inventory, it may not be adequate for UNFPA to rely solely on suppliers to ensure that goods stored on its behalf conform to its specifications in terms of quality and quantity.

124. The Procurement Services Section further stated that it was of the opinion that the inspections were to be completed by its own staff members, whose responsibility would be:

(a) To verify that physical stock matched stock reported by suppliers;

(b) To examine warehousing facilities of suppliers, ensuring that basic storage standards were met;

(c) To investigate the availability of proper security arrangements;

(d) To inspect the accuracy of stock labels, including batch numbers and date of manufacture;

(e) To determine whether there was any stock showing signs of visual deterioration;

(f) To inspect for instances of improper storage or stacking and maintenance of inadequate records.

125. The Procurement Services Section further informed the Board that it would seek funding and consequently plan inspection trips by its staff members to be completed as soon as funds were available, ideally twice yearly.

126. **UNFPA agreed with the Board's recommendation that it perform annual stock-checking as prescribed in the UNFPA procurement procedures.**

127. The Procurement Services Section informed the Board that the above recommendation had not been executed because of travel restrictions in the past. UNFPA informed the Board that the Section had made one visit to the emergency kit supplier in February 2008. Although inventory checking was not on the agenda for the visit, it was observed that inventory was at the facility.

13. Human resources management

Performance appraisal and development cycle

128. In paragraph 206 of its report for the biennium 2002-2003 (A/59/5/Add.7, chap. II), UNFPA agreed to: (a) conduct yearly performance reviews in a timely manner in order to ensure that relevant and meaningful individual performance plans could be prepared for the following year; (b) revise timelines for the implementation of the performance appraisal review system; and (c) regularly monitor the performance system to ensure compliance with established deadlines.

129. The performance measurement process has been documented in the performance appraisal and development guidebook. The system is electronic and allows performance documents and appraisals to be done online.

130. On inspection of performance appraisal and development documents, the Board found that the target deadlines set out in the guidebook (and subsequently revised by the Division for Human Resources) had not been met for the 2005, 2006 and 2007 cycles.

131. UNFPA stated that in the past, for various reasons, the time frame for announcing organizational priorities had varied, which had consequences for adherence to the timelines, and that the dates referred to in the performance cycle diagram in the guidebook were meant to be indicative only.

132. The Board noted that the non-mandatory completion of phase 2 of the appraisals remained relatively low in 2006 and 2007 and that all phases had not been fully completed at either headquarters or the field offices. The Board noted that there had been an improvement in 2006 compared to 2005.

133. **UNFPA agreed with the Board's recommendation that it enforce the time frames set out in the performance appraisal and development guidebook.**

134. UNFPA informed the Board that it had already taken steps to ensure compliance with the time frame, including issuing weekly reminders one month prior to the deadline, providing a means for unit focal points to track their unit's rate of compliance with established deadlines and enabling the system to shut down by the deadline, with a date stamp entered automatically on each form submitted.

Leave administration

135. In paragraphs 190 and 192 of its report for the biennium 2004-2005 (A/61/5/Add.7, chap. II), the Board recommended that UNFPA: (a) improve controls with respect to the leave administration process by formalizing standard leave practices across the organization; (b) perform reasonable advance planning, exhibit management flexibility and have proper succession planning in all its units in order to avoid staff forfeiting excess leave; and (c) take measures to ensure that the leave administration system provides accurate data in order to determine an appropriate contingency for the leave liability.

136. Leave administration and the maintenance of leave records are administered by UNFPA in accordance with personnel policies and procedures dated October 1999.

137. The Board reviewed leave and administration processes again in line with leave guidelines, procedures and staff rules and noted the following weaknesses:

(a) There were a number of instances in which leave was reflected on the system but there were no approved leave requests;

(b) Leave request forms were not always completed on the standard leave request forms;

(c) Reports generated by Brio were not checked, signed or dated by the supervisor and staff member;

(d) There were instances of excess days carried forward on a monthly basis;

(e) There were instances in which no leave summary reports were available or they were not updated;

(f) There were inconsistencies in the maintenance of leave records in the different headquarters units and country offices;

(g) There was only one trained leave monitor in each division, meaning that there would not be an alternative person performing leave maintenance and administration duties if the leave monitor were absent;

(h) All leave monitors maintain and administer their own leave records, so the risk exists that not all leave will be recorded on the system and on the attendance register.

138. The Division for Oversight Services also noted various insufficiencies with regard to the maintenance of attendance and leave records in some of the country offices that it visited. It observed, inter alia, cases in which attendance records were not up to date, signed or dated; monthly leave reports were not signed by staff, certifying officers and supervisors; absences for official purposes were not supported by approved travel authorizations; and leave was not supported by application forms.

139. Because of the inconsistencies and the weaknesses identified above, the Board was not in a position to determine whether the leave balances of the selected staff members were complete and accurate. The effect of not maintaining leave request forms in the employees' leave files is that there may not be a document that provides evidence that leave was approved. In addition, there is a risk that leave taken will not be recorded in Integrated Management Information System (IMIS).

140. **UNFPA agreed with the Board's reiterated recommendation that it improve the recording of attendance and leave.**

141. UNFPA informed the Board that it had requested headquarters divisions to designate leave monitors and alternates so that there would be coverage when the main monitor was on leave. It had also requested divisions to make sure that the leave monitor did not record his or her own leave and that the monitors and alternates were trained in Atlas "absence processing" in April and May 2008, in preparation for the implementation of Atlas "Wave 2". Furthermore, UNFPA stated that attendance for headquarters-administered staff was processed through IMIS, which had been replaced by Atlas, and that absence processing for all locally recruited field staff was administered through Atlas.

Leave provisions for international and local staff at country offices

142. International and local staff leave records at six country offices were tested. Leave provision details provided for audit purposes revealed that a record of accrued leave days for all UNFPA staff at country offices was maintained on a manual basis only. Furthermore, it was indicated that no system report of accrued leave days was available for all international and local staff at the country offices.

143. The Board noted that a leave-monitoring system on Atlas was expected with the further implementation of Atlas. Because of the lack of properly updated leave records, as noted in previous audit findings, the Board is concerned that leave is calculated using incorrect and incomplete data, which could have resulted in the under- or overstatement of leave in the financial statements for the biennium ended

31 December 2007, as well as the over- or underpayment of leave accrued to UNFPA staff.

144. UNFPA informed the Board that the Division for Human Resources would reissue time and attendance guidelines and a guide on how to use the system that is currently in place. This will be sent to all heads of units for them and their respective leave monitors to implement. This opportunity will be used to reconfirm that the administration and recording of leave is decentralized and that therefore the approval of annual leave rests with line managers, as does the responsibility to ensure that the established procedures for requesting and recording leave are followed.

145. **UNFPA agreed with the Board's recommendation that it ensure that country offices maintain accurate and complete leave records.**

146. **UNFPA also agreed with the Board's recommendation that it require its common services provider (UNDP) to furnish detailed leave accrual reports that are reconciled with the leave provision in the financial statements.**

147. UNFPA informed the Board that leave records for international staff were to be kept manually by the country offices and should have been sent to headquarters for input to IMIS. Furthermore, Atlas does have the capacity to provide reports on accrued leave days for staff, and now that all leave processing will be done in Atlas, staff members' payslips will include information on leave balances. The Division for Human Resources is working on revising the leave administration Guidelines and will issue them to the leave monitors and alternates that have trained as Atlas absence processors.

Vacancies and succession planning

148. In the previous report, UNFPA agreed with the Board's recommendation that it reduce recruitment lead time and intensify its efforts to implement workforce and succession planning. UNFPA agreed that the 2005 workplan of the Division for Human Resources would include the development of a succession management framework by the end of 2005, for application in 2006.

149. Since this recommendation was made, UNFPA embarked upon a process known as "regionalization", which involved significant changes in staffing arrangements and organizational structure. Noting these ongoing changes, the Board reviewed the lead times for filling vacancies to consider the efficiency and effectiveness of the process. A list of vacancy reports for 2006 and 2007 was received from the Division for Human Resources, which provided details of when posts were advertised and filled.

150. Although the Board noted that there had been an overall improvement in the vacancy rate and the lead time for filling vacancies during 2006 and 2007, it was still concerned about excessive vacancy rates and the time it took to fill vacant positions, which still exceeds the target and could negatively affect the ability of UNFPA to ensure that the needs of the organization are adequately addressed. According to the UNFPA staffing report, as at 31 August 2007 there were a total of 23 and 93 vacancies for Professional and General Service staff respectively, covering both national Professional vacancies in country offices and General Service staff vacancies globally.

151. A succession planning framework had not been formulated by 31 December 2006, as set out in the Division for Human Resources workplan for the period ending 31 December 2005. Some of the vacancies may be due to the lack of a succession planning framework and delays in filling vacancies.

152. UNFPA informed the Board that it had begun to develop elements of a succession planning framework and that the lack of a completed framework was not a major reason for vacancies or delays in filing them. Rather, difficult living conditions and security concerns in a number of field duty stations and long delays in government clearance for positions of UNFPA representative has made the recruitment and placement of staff a challenge.

153. While it is noted that UNFPA is in the process of creating a succession planning framework as well as developing the e-Recruit system, the Board expresses concern that the delay in its completion could have a negative impact on the achievement of UNFPA goals. This is further emphasized by the "regionalization" process currently under way in UNFPA.

154. **UNFPA agreed with the Board's reiterated recommendations that it: (a) address and shorten the lead time for filling vacancies; and (b) finalize its succession planning framework.**

155. UNFPA informed the Board that the Division for Human Resources continued its recruitment drives, had created rosters for key positions and continued to develop and explore systems (such as e-Recruit) and services that could enhance its ability to search for high-quality candidates and expedite the filling of vacancies. Furthermore, in September 2007, the Division for Human Resources successfully launched the basic version (phase one) of e-Recruit, which enables the collection of applicant data through a web-based self-service system.

Staff on project-funded posts used for biennial support budget functions

156. The issue of staff on project-funded posts performing administrative functions under the biennial support budget was reported by the Board in paragraph 89 of its previous report (A/61/5/Add.7, chap. II). During the interim audit, tests were performed on the samples used in the previous biennium.

157. The 200 series of the United Nations Staff Rules (ST/SGB/2002/2), which are applicable to all project personnel appointed by the Secretary-General for service with technical assistance projects, state that "project personnel" shall mean individuals who are appointed under the Staff Regulations for service with projects in the various technical assistance programmes, except individuals specifically recruited to serve in the General Service category and individuals specifically recruited as associate experts under bilateral agreements between the United Nations and Governments.

158. Some UNFPA staff working on tasks under the biennial support budget were appointed to project-funded posts because there were insufficient funds to appoint staff under the biennial support budget. These project posts had not been approved by the Executive Board even though the appointed staff members were performing biennial support budget-type functions.

159. Because of this allocation of staff between project-funded posts and the biennial support budget, travel expenses, which should have been allocated to travel

under the biennial support budget, were allocated to project funds, leading to reported savings in the biennial support budget.

160. The Board noted that staff appointed to regular posts under the 100 series of the Staff Rules were assigned to project-funded posts within UNFPA that were reserved for staff under the 200 series. On review of the appointment letters and performance appraisal and development reports, the Board noted that those documents did not specify duties and responsibilities with regard to the specific project for which the staff had been appointed. Accordingly, the Board was concerned that staff placed on the projected-funded 200-series contracts were not working on project assignments and should actually be funded solely from the biennial support budget.

161. The Board reviewed a list of UNFPA posts advertised for 2006. The Board scrutinized the post titles and found that the duties and responsibilities were not solely related to projects and should possibly not have been funded solely from project funds.

162. Cost recovery from third-party procurement for 2006 was $1.3 million. Only 3 staff members appointed on 100-series contracts were funded from biennial support budget funds as per UNFPA regulations, while the other 15 were project-funded. The Board also noted a list of procurement staff funded from reimbursable procurement funds.

163. While the Board is cognizant of budget constraints, the complexities of managing a complex organization and the fact that some posts could not be divided exclusively between biennial support budget and project functions, the Board is concerned about the following issues:

(a) Project-funded posts were not provided for in detail in the biennial support budget for 2006-2007 approved by the Executive Board (although they were described in individual country programmes);

(b) Project-funded posts were subject to continued project funding, and no clear guidelines existed as to what should happen when the funds were fully utilized;

(c) All procurement staff were placed on project-funded posts while funds were being generated from reimbursable procurement, but funds should have been generated from the biennial support budget;

(d) Procurement staff placed on project-funded posts were not involved in those projects.

164. **The Board reiterates its previous recommendation that UNFPA:**

(a) **Investigate the concerns raised about biennial support budget posts (administration function) being funded from project funds and take corrective action where necessary;**

(b) **Incorporate during the budget process the principle that such posts should be funded only from biennial support budget funds.**

165. UNFPA informed the Board that it had established a project post review committee to set up a checks and balances mechanism that enables it to better monitor and regulate the creation of programme/project-funded posts at

headquarters and that as a matter of policy, project-funded posts are advertised and subject to a competitive process that is documented. UNFPA further informed the Board that it had detailed the rationale for the use of programme/project funds, including the use of such funds for personnel.

166. UNFPA recognizes the need to have clear cost classification definitions to distinguish the biennial support budget from programme/project-funded posts. It is expected that the adoption of a results-based budgeting approach will address some of the issues. The next step is to formulate a harmonized definition of the cost classification of biennial support budget versus programme/project funding. As requested by the Executive Board, UNFPA will be working with UNDP and UNICEF to develop a harmonized definition for the preparation of the 2010-2011 biennial support budget. UNFPA informed the Board that procurement posts were funded mostly from third-party procurement income and that third-party procurement activities were regarded as projects. UNFPA is proposing to gradually balance biennial support budget-funded posts with third-party procurement posts, taking into account the resource limitations on the biennial support budget.

167. **The Board recommends that UNFPA consider identifying methods to allocate costs and time spent, which could be divided between biennial support budget and project activities.**

168. UNFPA informed the Board that its cost recovery policy was designed to reimburse the biennial support budget for the use of resources for non-core activities.

14. Consultants, experts and temporary assistance

Special service agreements

169. In paragraph 164 of its previous report (A/61/5/Add.7, chap. II), the Board reiterated its recommendation in relation to special service agreements that UNFPA: (a) evaluate reports in a timely manner; (b) forward such reports to the hiring unit; and (c) remind requesting units to submit attendance records and evaluation reports prior to processing payments.

170. Under an agreement, UNFPA outsourced the administration of special service agreements for headquarters to UNOPS as from November 2003. The purpose of the agreement was to establish a framework within which UNOPS would provide human resources services, including in the areas of appointment and administration, for UNFPA. UNOPS uses its guidelines for special service agreements, which are to serve as a reference guideline for the use of services of consultants and individuals on temporary assistance retained by UNOPS under special service agreements, on behalf of UNFPA.

171. The Board reviewed the appointment of consultants under special service agreements, focusing on data accessibility and the efficiency of the systems in place. A special service agreement is a contracting tool for hiring skilled individuals for a short duration either in the project context or within the UNFPA office.

Duration of special service agreements contracts

172. The UNOPS guidelines on special service agreements require that a special service agreement be provided for a maximum of 11 months of continuous service.

A break is mandatory for subsequent extension or rehiring. Service under a special service agreement is intended to be limited, with a maximum duration of continuous service of 11 work-months or 239 workdays within a 12-month period, irrespective of funding source. Continuous service is a period during which any break is less than one month.

173. The Board noted instances in which special service agreements were provided for a period longer than 11 consecutive months and consultant's contracts were extended without the mandatory one-month break in service. No explanations could be provided as to why the contracts had been extended.

174. **The Board recommends that UNFPA: (a) investigate the circumstances of the extended period of special service agreement contracts; and (b) adhere to the special service agreement guidelines in respect of contract duration.**

Special service agreement selection procedure

175. The guidelines on the use of special service agreements issued by UNOPS state that the consultant roster should be used in the selection process. However, the appointment process was not documented sufficiently in the special service agreement file for the Board to be able to verify whether a competitive, objective and transparent appointment process had been undertaken in deciding on the most suitable candidate for the appointment.

176. **UNFPA agreed with the Board's recommendation that the selection process be clearly documented in the hiring of consultants under special service agreements in order to ensure consistency and transparency.**

Special service agreements and service contracts: semi-annual reports for country offices

177. In paragraph 169 of its previous report (A/61/5/Add.7, chap. II), the Board reported that UNFPA agreed with its recommendation that it ensure that all country offices with special service agreements in service compile and submit semi-annual reports to headquarters.

178. The Board noted that UNFPA had developed a web-based system that can be accessed by the field offices to input data on current service contracts and special service agreements.

179. The UNDP guidelines on control, monitoring and reporting concerning the use of special service agreements and service contracts require all country offices to provide semi-annual reports on special service agreements and service contracts issued throughout the year. UNFPA uses this guideline as reference for the treatment of all special service agreements.

180. A memo was sent by the Director of the Division for Human Resources on 7 June 2007 to all country office representatives, country support team staff and country office staff requesting that offices in the field input data on current service contracts and special service agreements by 30 June 2007 and update the information every six months, with the next update due on 31 December 2007.

181. Out of 120 country offices and country support teams, 68 per cent reported to the Division for Human Resources in 2007. Without the submission of all semi-

annual reports, the Division will not have complete information needed to monitor special service agreements and service contracts at country offices.

182. **UNFPA agreed with the Board's recommendation that it implement procedures to improve the rate of submission of semi-annual reports to headquarters to comply with the provisions set out in the guidelines.**

183. While UNFPA uses UNDP guidelines for the treatment of local special service agreements in the country offices, for international special service agreements in the country offices it uses its own guidelines and for agreements at headquarters it follows UNOPS guidelines. Those arrangements will be reviewed by the Board in its next audit.

15. Information technology

Disaster recovery plan

184. In accordance with the UNFPA management information services guidelines, country offices need to have a disaster recovery plan for their local information and data. In the case of a disaster the recovery plan would assist the country office to resume normal activity.

185. The Board performed an assessment of all country offices visited and noted that they either did not have a documented country office-specific business continuity plan or disaster recovery plan or had inadequate plans that were not in line with best practice. Without a properly documented, communicated and tested business continuity plan and/or disaster recovery plan, UNFPA country offices would not be able to expeditiously recover from a major system disaster. This could lead to users not knowing how to proceed in the event of a disaster and could lead UNFPA country offices to come to a halt in such an event.

186. **The UNFPA country offices agreed with the Board's recommendation that a formal disaster recovery plan be implemented.**

187. UNFPA informed the Board that it was continuously upgrading its information technology infrastructure, including arrangements for computer security, that Atlas partner agencies had made arrangements for a comprehensive disaster recovery plan for Atlas and that those arrangements were periodically tested. Other arrangements are in place for important and critical documents at headquarters and at country offices.

16. Programme and project management, including nationally executed expenditure

Nationally executed expenditure

188. UNFPA is dedicated to development through the building of national capacity, in line with General Assembly resolution 62/208. UNFPA is emphasizing programme execution and implementation by Governments and national non-governmental organizations. This is an integral part of the UNFPA strategic plan for 2008-2011.

189. UNFPA is also faced with increasing demand for accountability in terms of its use of resources and the results it achieves. The nationally executed expenditure modality works through a system of quarterly advances made to implementing partners for activities to be carried out during the quarter, adjusted with the existing

balance from the end of the previous quarter. While conceptually simple, this approach has programmatic and financial reporting challenges. The monitoring of programme activities is particularly challenging where national counterparts are using a decentralized set-up. The difficulty of monitoring is compounded by human resources capacity constraints faced by implementing partners. In addition, constrained infrastructure and communication systems also have an impact on the quality and the reliability of the financial management of programmes, as deficient activity monitoring can result in inaccurate expenditure recording and therefore in deficient financial reports.

190. Building the capacity of national implementing partners is a long-term endeavour. Issues related to nationally executed expenditure will continue to require UNFPA attention and the support of its stakeholders. The challenge that UNFPA and other United Nations organizations face is to promote and ensure national execution along with conditions that ensure accountability.

191. In the biennium 2004-2005 (as well as the bienniums 1998-1999 and 2000-2001), the Board noted concerns regarding the accountability of expenditures incurred through the nationally executed expenditure modality and modified its audit opinion by issuing an audit report with an emphasis of matter. As the extent of nationally executed expenditure continues to grow in UNFPA, the Board subjected nationally executed expenditure to a special review during the interim audit (for 2006 expenditure) and final audit (for 2007 expenditure). The Board considered various aspects of the audit process related to nationally executed expenditure, whereby independent third-party auditors are engaged by UNFPA to provide reports on the use of nationally executed expenditure resources by implementing partners. The Board's findings are described in detail below.

Analysis of audit report submission and results

192. The overall objective for the audit of nationally executed project workplans is to obtain reasonable assurance that UNFPA resources are managed by implementing partners in accordance with the provisions of the project document, the annual workplan and the letter of understanding. In accordance with the annual workplan, a total of 1,293 nationally executed expenditure projects were due to be audited for 2006 and 1,280 projects for 2007. The Board performed an analysis of the audit reports of those projects to compile statistics and to assess the appropriateness of audit conclusions reached by project auditors. UNFPA subsequently informed the Board that it had revised the databases for 2006 and 2007. The databases reviewed by the Board included 42 and 125 projects for 2006 and 2007 respectively, which should not have been included, resulting in 1,251 and 1,155 projects that were due to be audited in 2006 and 2007 respectively.

193. The Board noted that qualified project audit reports accounted for $32.7 million (28 per cent) of nationally executed expenditure in 2006 and $10.2 million of such expenditure (10 per cent) in 2007. The Board is concerned with the high proportion of audit reports that are qualified.

194. Projects for which audit reports have not been obtained accounted for 34 per cent (2006) and 31 per cent (2007) of expenditure subject to audit. Incomplete project audit reporting results in the Board (and UNFPA) not being able to completely assess the results of the nationally executed expenditure project audits.

195. UNFPA subsequently reported to the Board that the status of projects for which audit reports had not been obtained was now 7 per cent of expenditure subject to audit for 2006 and 10 per cent for 2007.

196. The Board also noted that qualified audit reports were not categorized according to type (e.g. "except for", "disclaimer" or "emphasis of matter"). This made it more difficult to assess the significance and impact of the qualifications.

197. On assessing the appropriateness of audit conclusions reached by nationally executed expenditure project auditors for 2006, the Board noted that 4 of a sample of 6 project audit reports (67 per cent) in which auditors were documented in the database as not having an opinion were reports that should have been classified as unqualified, and 1 of a sample of 15 project audit reports (7 per cent) was documented in the database as being qualified but should have been designated as unqualified.

198. UNFPA informed the Board that the "no opinion" category of audit reports was misleading and that it had already taken steps to discontinue use of the category, with the result that nationally executed expenditure reports will be categorized as either "qualified" or "unqualified".

199. For 2007, the Board noted that because of data input errors, 2 of a sample of 10 project audit reports (20 per cent) had been captured as qualified in the database but should have been designated as unqualified.

200. The Board noted that some audit reports were not in accordance with the terms of reference, as there was inconsistency in the scope of work performed and audit reports between the different reports from different auditors.

201. **UNFPA agreed with the Board's recommendation that it: (a) categorize qualified audit opinions according to type, such as "except for", "disclaimer" or "emphasis of matter", in the database to ensure that the significance and impact of the qualifications are noted; (b) ensure that audit reports are captured correctly on the database; and (c) clarify the terms of reference for project auditors, including the exact coverage of project expenditure and the basis for expressing audit opinions.**

202. **UNFPA agreed with the Board's recommendation to apply methods to improve the submission rate of nationally executed expenditure project audit reports.**

203. **UNFPA agreed with the Board's recommendation that it urgently address, through its operational and management processes, the matter of qualified nationally executed expenditure audit reports.**

204. UNFPA informed the Board that entries in the database were made at its country offices, which did not have the capacity or expertise to categorize qualified audit opinions. Furthermore, UNFPA would look into the matter and take appropriate action to ensure that audit reports are captured and classified correctly in the database.

205. UNFPA further agreed that it would clarify the terms of reference and the basis for the opinion and would provide additional guidance on qualification and quantification of the cause for the opinion expressed.

Engagement letters

206. The Board inspected engagement letters between UNFPA and nationally executed expenditure project auditors. The Board was provided with the standard UNFPA subcontractor agreements but not with audit engagement letters. It was learned in discussions with the Division for Oversight Services that not all projects had engagement letters; the terms of reference drive the audit. This creates a risk of uncertainty and misunderstanding with respect to the engagement and the risk that auditors' responsibilities might not be clarified.

Selection of auditors

207. The Board reviewed the criteria used for selecting auditors for the nationally executed expenditure projects. Subsequent to discussions with the Division for Oversight Services personnel and a review of minutes of the tender committees, the Board noted that the UNFPA standard procurement procedures and policies had been applied in selecting auditors. The tender committees looked at the technical ability of the firm by considering the number of partners and the fees charged. Other characteristics, such as independence, affiliation of the auditor with professional bodies, whether or not the audit complied with the International Standards of Auditing and the ability of the auditor to deliver on time were not considered. This creates a risk that the Board might not be able to rely on the work performed by the other auditors and that UNFPA management might not be receiving the audit assurance it seeks.

208. **The Board recommends that UNFPA: (a) ensure that consideration is given to independence, affiliation with professional bodies and compliance with the International Standards of Auditing when selecting auditors; and (b) ensure that its auditors issue engagement letters before audit work is performed.**

209. UNFPA stated that engagement letters were not required under its rules, regulations and procedures. However, it would consider the Board's recommendation for the need for engagement letters, together with other United Nations agencies at the inter-agency forum, in order to harmonize the practice in view of the implementation of the harmonized approach to cash transfers.

210. UNFPA informed the Board that the Division for Oversight Services would review the terms of reference for the audits of nationally executed expenditure to ensure that when selecting auditors business units also take into consideration independence, affiliation with professional bodies and the ability of the auditor to deliver on time. Currently the guidelines allow for auditors of nationally executed expenditure to comply with either the International Standards for the Professional Practice of Internal Auditing or generally accepted common auditing standards in the country as defined by the supreme auditing authority.

Submission of nationally executed expenditure audit reports and capturing of the reports on the database

211. The terms of reference state that all nationally executed expenditure audit reports should be sent to the UNFPA Division for Oversight Services and copied to the Division for Management Services, Finance Branch and the relevant geographic division at headquarters by 31 March following year's end.

212. The Board interrogated the Division for Oversight Services report submission log sheet to ensure that all reports had been submitted before 31 March 2007 and 31 March 2008 for the 2006 and 2007 periods respectively. The Board noted that 39 per cent and 48 per cent had been submitted after the due date in 2006 and 2007 respectively. Furthermore, for 2006 and 2007 respectively, 18 per cent and 24 per cent of projects should have been audited, have not been audited or reports had not been received from implementing partners and/or country offices.

213. UNFPA subsequently informed the Board that there had been an improvement (reflected in the nationally executed expenditure database as at 18 June 2008) in the number of outstanding audit reports for projects that should have been audited to 5 per cent in 2006 and 12 per cent in 2007.

214. The Board noted that country offices were required to capture audit reports received from auditors and were required to submit hard-copy reports to the Division for Oversight Services. The Board compared the audit reports captured on the 2006 database with the log of reports received, maintained by the Division, and noted that the audit reports of 119 projects had been reflected as having been received by the Division but had not been captured on the database. As a result, the completeness and accuracy of the nationally executed expenditure projects database could not be assured.

215. UNFPA acknowledged that as at the time of the interim audit, in the last quarter of 2007, 119 projects were reflected as having been received by the Division for Oversight Services but were not captured in the database; however, this situation was subsequently rectified.

216. The Board also compared the Division for Oversight Services report submission log to the nationally executed expenditure projects database download to ensure that reports noted as not having been received in the Division's log had not been captured in the database. The Board noted that 81 projects in 2006 had been logged as not having audit reports, but those projects were captured as having audit reports in the database.

217. UNFPA informed the Board that the tally of reports recorded in the nationally executed expenditure database, which is a live system, did not always reconcile with reports logged and submitted to the Division for Oversight Services because of the lag between the recording of audit reports in the database and their receipt by e-mail at headquarters.

218. The terms of reference require certificates of expenditure/funding authorization and certificates of expenditure and forms C, D and E to be attached to audit reports, certified by the implementing partners and signed and stamped by the auditors. The database has a field to indicate whether the certification has been performed. The Board interrogated the nationally executed expenditure project database download for 2006 and 2007 to quantify the amount and number of projects indicated as not having the financial forms mentioned above certified, as required by the terms of reference. The Board noted that 119 projects for 2006 and 126 for 2007 did not have certified financial forms at the time of the audit.

219. The terms of reference define the financial forms as follows:

(a) Form C, annual non-expendable property report;

(b) Form D, annual status of funds report;

(c) Form E, annual disbursement report;

(d) Certificate of expenditure report.

220. The impact of the financial forms not having been certified as required by the terms of reference is that the Board could not obtain reasonable assurance as to whether the periodic financial requests/reports and non-expendable property reports had been fairly and accurately presented and that disbursements had been made in accordance with the activities and budgets of the projects.

221. **UNFPA agreed with the Board's recommendation that it ensure that: (a) all country offices submit nationally executed expenditure audit reports by 31 March following year's end; and (b) financial forms be individually certified by the nationally executed expenditure auditors.**

222. UNFPA informed the Board that it acknowledged that financial forms were not always individually certified by the nationally executed expenditure auditors and that it would take steps to build the capacity of its partners and nationally executed expenditure auditors to ensure compliance in the future.

223. **The Board recommends that UNFPA: (a) implement controls to ensure that information is accurately recorded and is complete on both the report submission log and the nationally executed expenditure projects database; and (b) include a measurable indicator in the "balanced scorecard" for each country office to assess progress in the submission of nationally executed expenditure audit reports.**

224. UNFPA informed the Board that it reviewed the nationally executed expenditure database periodically and sent out reminders requesting country offices that were late to submit their audit reports and enter them in the database. UNFPA stated that it had put in place some quality control procedures to ensure that the audit reports were captured and classified correctly in the database, and this would continue to be strengthened.

225. UNFPA informed the Board that it planned to roll out the balanced scorecard to the country offices in 2009, as the current one is for headquarters only. This will help to ensure that nationally executed expenditure audit reports at the country level can be monitored through the scorecard.

Incomplete audit plans

226. Country offices are required to submit to the Division for Oversight Services audit plans for project audits of nationally executed expenditure by 31 October each year. The terms of reference on nationally executed projects require that every project be audited each year in which project expenditure is equal to or greater than $50,000 and at least once in its lifetime. The Division for Oversight Services reviews the audit plans to ensure that all projects that should be audited are scheduled for audit.

227. On inspection of the database download of audit plans for 2006 and 2007, the Board noted that some audit plans either had not been fully completed or had not been completed at all. There is a risk that projects that should have been audited would not have been and the Division for Oversight Services would not have been able to review the plan for adequacy to ensure that it included all projects that should have been audited.

Late audit plans

228. The Board inspected the database download of audit plans for 2006 and 2007 to ensure that all audit plans had been completed before 31 October to allow the Division for Oversight Services to review and approve them before the commencement of the audit. Several countries were noted to have completed their plans after the deadline.

229. **UNFPA agreed with the Board's recommendation that it: (a) ensure that all country offices complete and submit their audit plans before the deadline; and (b) review the database to ensure that all audit plans are complete.**

230. UNFPA informed the Board that management of the nationally executed expenditure database has been moved from the Division for Oversight Services to management.

Selection of audits

231. As mentioned above, each nationally executed project must be audited each year that its expenditure is equal to or greater than $50,000 and at least once in its lifetime.

232. The Division for Oversight Services reviews the workplans of implementing partners and/or country offices to ensure that projects that should have been audited were audited. The Board noted that the Division does perform this review in cases where expenditure is greater than or equal to $50,000, but does not perform a review to ensure that projects with expenditure of less than $50,000 and that are coming to an end are included in the workplan. There is a risk that such projects might not be audited at least once in their lifetime, as required by the terms of reference, as the Division relies on the country offices and implementing partners to include such projects in their audit plans.

233. **The Board recommends that the Division for Oversight Services extend its review of projects to be audited to ensure that projects are audited at least once in their lifetime, as required by the terms of reference.**

234. UNFPA informed the Board that during 2007 the Audit Advisory Committee recommended that the maintenance of the nationally executed expenditure database be the responsibility of UNFPA management, not the Division for Oversight Services.

235. UNFPA stated that it reviewed the nationally executed expenditure database periodically and sent out reminders requesting country offices that are late to submit their audit plans and to provide the missing information. Furthermore, it would include in its review of which projects to audit those projects that have expenditure lower than $50,000 that are coming to an end and have not yet been audited to ensure that they are included in the audit plan. The nationally executed expenditure audit process is also part of the oversight programme of the Division for Oversight Services, and it is systematically reviewed during country office oversight assessments.

Certificates of expenditure

236. Before an amount is advanced, the implementing partner provides UNFPA with a projection of the expenditures for the next quarter. At the end of the quarter,

the implementing partner completes the certificate of expenditure, which includes the actual expenditure for the past quarter and the projection of expenditure for the next quarter. Four certificates of expenditure are required to be completed for each financial year by the implementing partner.

237. The expenditure per quarter, as recorded on the certificates of expenditure, were added for the two years of the biennium 2006-2007. This amount was compared with the expenditure recorded in the nationally executed expenditure database. Those expenditures (according to the certificates of expenditure) were recorded in the local currency of the country of the implementing partner.

238. The expenditures recorded in United States dollars (converted from the local currency) in the nationally executed expenditure database were compared to expenditures recorded in the general ledger in Atlas. The Board noted several discrepancies, which are described below.

Nationally executed expenditure for 2006

239. The Board noted that for 5 out of a sample of 25 projects (20 per cent), no certificates of expenditure were submitted with the audit reports. In those cases, the expenditure provided in the annual disbursement report (form E) was used to determine the expenditure for the entire year to enable the Board to agree the total expenditure to the nationally executed expenditure database and the general ledger. The Board noted that there were significant differences between the expenditure recorded in Atlas and the expenditure reported in the database.

240. For 4 out of a sample of 25 projects (17 per cent), certificates of expenditure submitted with the audit reports were incomplete (not all certificates were provided) or incorrect. In those cases, the expenditure provided on form E was used to determine the expenditure for the year to enable the Board to reconcile total expenditure with the nationally executed expenditure database and the general ledger. One case was identified in which the expenditure was recorded in local currency but on forms D and E and in the nationally executed expenditure database it was recorded in United States dollars.

241. The Board noted that for 10 out of 25 projects (40 per cent), the amount of expenditure in local currency calculated from the certificates of expenditure or from form E did not agree with the expenditure amount recorded in the database.

242. It was also noted that in 23 out of 25 projects (92 per cent), the expenditure recorded in United States dollars in the database did not agree with the expenditure in the general ledger.

Nationally executed expenditure for 2007

243. The Board noted that for 2007 nationally executed expenditure, in 24 out of a sample of 25 projects (96 per cent), the balance according to Atlas for expenditure at year's end did not agree with the nationally executed expenditure database.

244. The Board further noted that for 2007 expenditures, in 7 out of a sample of 25 projects (28 per cent), the balance according to the database at the end of 2007 did not agree with the balance of expenditure according to the certificate of expenditure report.

245. **The Board recommends that UNFPA investigate all discrepancies between certificates of expenditure, audit reports, Atlas and the nationally executed expenditure database.**

246. UNFPA informed the Board that the United States dollar expenditure reported in the database was obtained through direct interface with the expenditure recorded in the general ledger and that it had reconciled the two systems and could explain all the differences. Furthermore, Atlas converts local nationally executed expenditure at the United Nations exchange rate at the end of the quarter and, as such, the value of the expenditures in the database should directly match the general ledger expenditure.

247. UNFPA further informed the Board that it would ensure that discrepancies between certificates of expenditure, audit reports, Atlas and the nationally executed expenditure database were followed up by management and would continue to request country offices to provide complete audit reports. UNFPA would also review all qualified reports. Where expenditure amounts are quantified, UNFPA will, if warranted, ensure that the necessary adjustments are made in Atlas, such as when country offices request the Division for Management Services to write off losses from irrecoverable operating fund advances.

Operating fund advances

248. UNFPA provides funds directly to governmental and non-governmental organizations (implementing partners) for the implementation of projects that are in line with the programme objectives of UNFPA. Such funding is advanced to the implementing partners on the basis of signed project documents and is recorded as an advance in the financial records of UNFPA. Before an amount is advanced, the implementing partner provides UNFPA with a projection of expenditures for the next quarter. At the end of the quarter, the implementing partner completes the certificates of expenditure, which includes actual expenditure for the past quarter and projected expenditure for the next quarter. The country office records the actual expenditure against the advance and makes a new advance for the next quarter.

249. Thirty-three nationally executed expenditure projects were sampled to determine whether the outstanding advance according to the annual status of funds report (form D) for the period from 1 January to 31 December 2007 agreed with the outstanding advance balance according to the general ledger (Atlas) as at 31 December 2007. The Board found that in 19 out of the 33 projects (58 per cent), the advance outstanding on form D of the audit report did not agree with the balance in the general ledger as at 31 December 2007.

250. This indicates that there is insufficient monitoring and control in country offices with regard to project expenditure and advances.

251. There is a risk that the nationally executed expenditure audit reports compiled are not accurate or that advances provided and expenditure incurred are not correctly and accurately recorded in the general ledger.

252. An operating fund advances ageing schedule as at 31 December 2007 was presented to the Board. The ageing analysis is a manual process that is updated when advances are made, actual expenditure is recorded and adjustments are made. Ageing is performed on the basis of the first in, first out and last in, last out concept, according to which the first advance paid will be utilized against the first

expenditure and the last expenditure against the last advance paid. The ageing is based on the quarter in which the advance is made and on the quarter the expenditure is related to. Operating advances should be cleared after each quarter when the implementing agency submits its certificates of expenditure. With this system, there should not be advances outstanding for a period of more than 181 days (six months).

253. The Board analysed the operating fund advances ageing schedule as at 31 December 2007 and observed that advances were long outstanding. This indicated a lack of monitoring and control over outstanding advances as well as advances payable. The outstanding operating fund advances are the net between the advances provided and those payable.

254. The Board noted the following on the basis of the ageing summary:

(a) $2 million (15.6 per cent) of the total outstanding operating fund advances of $13.2 million had been outstanding for longer than 361 days;

(b) $3.7 million (28.3 per cent) of the total outstanding operating fund advances had been outstanding for more than 181 days;

(c) $1.01 million (82.4 per cent) of the total outstanding operating fund advances to United Nations agencies had been outstanding for longer than 181 days. Of that amount, an amount of $532,703 (43.3 per cent) of the total outstanding advances had been outstanding for longer than 361 days;

(d) $2 million (27.3 per cent) of the total outstanding advances to Governments had been outstanding for 181 days.

255. UNFPA had made some progress to clear long-outstanding operating fund advances from the prior period.

256. The Board selected another sample of eight outstanding advances to test whether the ageing of the advances was accurate. The Board noted that for three of the eight advances the ageing had been performed incorrectly on the ageing schedule as at 31 December 2007.

257. There is a risk that outstanding operating fund advances are not recovered from implementing partners, and that could also have an impact on further project implementation. Based on the differences between the operating fund advances according to the nationally executed expenditure audit reports and the general ledger as at 31 December 2007, the Board is concerned that the amount recorded in the financial statements is not accurate.

258. **The Board recommends that UNFPA take steps to follow up the differences noted between the advances outstanding according to the audit reports and the general ledger and implement measures and controls in all country offices and at headquarters to reconcile advances and expenditure per project on a regular basis.**

259. **The Board recommends that UNFPA: (a) take steps to follow up on long-outstanding operating fund advances and to ensure that funds advanced are utilized for their intended purposes; and (b) ensure that the ageing schedule of operating fund advances is accurate.**

260. UNFPA informed the Board that the discrepancies noted between form D and the general ledger were due to timing differences. This is because forms D and E are

not received until March of the following year, at which time the accounts are already closed, thus not allowing an opportunity for adjustments to be made so that the forms reconcile to the general ledger for the end of the period. Therefore, any adjustments relating to 2007 would be made in 2008.

261. UNFPA subsequently reviewed the differences and noted that they could be reconciled.

17. Transportation and travel management

Travel expenditure

262. The individual divisions and offices at headquarters are responsible for planning their own travel requirements, including taking into account annual travel allotments and programme travel budgets, preparing and authorizing travel requests, ensuring that documentation supporting travel claims is complete, reporting on the results achieved by the travel and identifying the action required from the mission reports.

263. UNFPA duty travel is governed by the duty travel policy dated 22 January 2007. Various circulars, the most recent of which is UNFPA/CM/07/13 dated 18 May 2007, are issued by the Chief, Procurement and Facilities Management Branch, Division for Management Services, to reiterate to staff the importance of abiding by the duty travel policy.

Submission of travel requests

264. In accordance with the duty travel policy, travel requests must be submitted to the Travel Unit at least 15 working days before the date of the travel. This was reiterated in circular UNFPA/CM/07/13. The policy further states that late travel requests should be accompanied by an explanation for the late submission. The Board selected a sample of 10 duty trips taken to determine whether travel requests were submitted at least 15 working days in advance and whether the reasons for the late submission had been provided. In many cases the travel requests were submitted late and the travellers did not provide written justification for the late submission. The Board noted that travellers and divisions and offices did not comply with the policy of submitting the travel requests within the specified time period and that last-minute travel requests had become the norm.

265. During the Board's country office audits, it was noted that staff members did not abide by the duty travel policy with regard to the submission of travel requests at least 15 working days prior to departure on duty travel.

Submission of trip and travel claims reports

266. According to the duty travel policy and the above-mentioned circular, staff members are required to submit trip reports and F-10 travel claim forms within 15 working days of the completion of duty travel. The same sample as described in paragraph 264 was used to determine whether trip reports and travel claims had been submitted on time. The Board noted instances in which trip reports were not submitted within 15 working days of the completion of duty travel and were still outstanding at the time of the audit. The Board also noted cases in which F-10 travel claim forms were not submitted within 15 working days of the completion of duty travel.

267. The duty travel policy also requires that trip reports be submitted prior to the submission of the travel claim form to the Travel Unit. The Board noted cases in which travel claim forms were submitted before the trip report.

Web-based travel application on the Intranet

268. UNFPA utilizes a web-based travel application system on its Intranet that provides a summary of all travel requests, trip reports and F-10 claim forms submitted for each staff member who has travelled. Detailed information for each staff member is also available on each trip, including the date the travel request was submitted and received, travel dates, when the travel request was received by the Travel Unit, when the trip report was submitted and when the F-10 form was submitted.

269. The Board performed an analysis of the summarized data as at 4 October 2007 and noted that there were 619 staff members in the summary. The Board, however, did not verify the accuracy of the data in the summary. The summary excludes travel undertaken by country office staff. The Board noted the following:

(a) In 44 cases (7 per cent), staff members did not submit the trip report after returning from duty travel (only cases in which more than two trip reports were outstanding were selected);

(b) 67 (11 per cent) staff members did not submit an F-10 travel claim form after returning from duty travel (only cases in which more than two trip reports were outstanding were selected);

(c) In 32 cases (5 per cent), the F-10 travel claim form was submitted before the travel report.

270. The Board selected a sample of eight staff members with the greatest number of trip reports and/or F-10 travel claim forms outstanding from the summarized data and obtained detailed reports from the travel application system. Those reports were reviewed to determine the number of trip reports and F-10 travel claim forms outstanding and to identify trips with the longest outstanding reports and/or travel claims (see table II.5).

Table II.5
Long outstanding trip reports and F-10 travel claim forms

Index No.	*Travel requests*	*Trip reports submitted*	*Trip reports outstanding*	*F-10 forms submitted*	*F-10 forms outstanding*	*Date of the longest outstanding trip report*	*Date of the longest outstanding F-10 form*
551972	32	18	14	5	27	22 November 2006	3 April 2004
583849	37	27	10	22	15	24 October 2004	24 October 2004
654146	41	26	15	29	12	31 October 2004	3 July 2004
801416	8	—	8	—	8	21 April 2004	21 April 2004
604437	48	31	17	41	7	6 April 2004	6 April 2004
123451	20	20	—	12	8	—	23 April 2004
783414	22	15	7	11	11	18 November 2006	14 April 2006
023325	24	24	—	14	10	—	12 August 2004

271. In paragraph 14 of circular UNFPA/CM/07/13, the Chief of the Procurement and Facilities Management Branch indicated that if a traveller failed to submit an F-10 form within three months of the completion of travel, the full amount of the travel advance would be recovered through salary deduction.

272. As indicated in table II.5, seven of the eight staff members have F-10 forms dating back to 2004. It is therefore evident that the duty travel policy was not fully adhered to and that divisions and offices did not monitor the process to ensure that trip reports and travel claims were submitted within 15 working days and that advances were not recovered in cases where trip reports and travel claims were outstanding for periods longer than three months.

273. There are risks that:

(a) The late submission of travel requests may affect the ability of the Travel Unit and the travel agency to ensure that travel arrangements are processed in time for the staff member's departure and to obtain the most economical tickets available;

(b) In the absence of trip reports and/or F-10 travel claim forms, there is a risk that UNFPA may have funded travel that never took place or that travel was not undertaken as authorized;

(c) In the absence of trip reports, the divisions and offices will not be in a position to assess the overall effectiveness of duty travel undertaken;

(d) UNFPA will not be able to clear the long-outstanding travel claims, as staff members may have resigned, transferred, lost supporting documents and so on, resulting in a loss for the organization.

274. **UNFPA agreed with the Board's recommendation that it:**

(a) **Ensure that divisions and offices submit travel requests in accordance with the duty travel policy and justify all late travel requests with written explanations;**

(b) **Enforce the requirement that trip reports and F-10 travel claims be submitted within the approved time frame after the completion of duty travel;**

(c) **Ensure that divisions and offices take responsibility and accountability for the monitoring and control of their staff members' duty travel;**

(d) **Perform a review of all outstanding trip reports and travel claims to ensure that advances are cleared and possible overpayments recovered.**

275. UNFPA informed the Board that since the interim audit was conducted it has taken additional measures to recover outstanding advances. Compliance in the submission of F-10 travel claims is now recorded and monitored on the Intranet and a significant number of outstanding claims have since been recovered. Furthermore, the Travel Unit no longer accepts travel requests submitted with less than 15 working days' notice unless written justification is provided with the request and no longer approves travel requests for staff that have outstanding F-10 claims from 2007 and earlier. Furthermore, travel advances are not issued to staff who have more than three outstanding F-10 claims in 2008.

18. Inter-agency coordination

Cost recovery

276. The Board noted that at certain country offices, all aspects pertaining to banking were handled by UNDP, as the UNFPA country office did not maintain its own bank account. Under the UNDP-UNFPA agreement signed at headquarters, UNDP charged a service fee to the country office for this service.

277. The Board noted that while an agreement existed between UNFPA and UNDP to recover costs on a monthly basis, invoices are received by UNFPA only annually and no provision is made in the 2006-2007 biennial support budget for cost recovery.

278. The Board also noted that high recovery costs sometimes resulted from project expenditure being paid by the country office directly to suppliers on behalf of the implementing partners. This is the preferred modality of certain implementing partners.

279. Failure to adequately budget for cost recovery may lead to insufficient funds being available for the settlement of such costs. Furthermore, annual instead of monthly cost recovery leads to a substantial increase in operational expenditure being incurred by the country office in the month that it is billed. This can lead to the country office being unable to settle other operational expenses, which are vital to the day-to-day running of the organization.

280. **The Board recommends that UNFPA:**

(a) **Liaise with UNDP to ensure that the process of cost recovery occurs on a monthly basis;**

(b) **Provide for cost recovery expenditure in the biennial support budget.**

281. UNFPA informed the Board that it was in close contact with UNDP to streamline the cost recovery process and that both standard and non-standard ad hoc services were now being processed through the Atlas billing module. Furthermore, UNDP and UNFPA piloted service-level agreements at the country office level and provided a generic contract template to all country offices.

Memorandum of understanding

282. One country office signed a memorandum of understanding on inter-agency matters with other United Nations agencies operating in the country in 2005. The Board noted that the memorandum of understanding had not been updated or reviewed by United Nations agencies since that time. It does not stipulate each agency's rights and obligations and does not include provisions for updating and/or revising the agreement at regular intervals. Changes and agreements regarding common services were documented only in operational management team minutes. The issue of shared services therefore had continued with no agreed specific deliverables, areas of accountability, performance indicators and cost-determination principles in place.

283. At one country office the Board noted that the memorandum of understanding for common services for the period from 1 January to 31 December 2006 had not been signed by all the relevant parties at the commencement of the agreement period. The earliest signature on the memorandum of understanding was dated

3 April 2006 and the last was dated 22 December 2006. Furthermore, the memorandum of understanding for the period from 1 January to 31 December had not been finalized or signed at the time of the audit.

284. The lack of a detailed and signed memorandum of understanding may result in the various agencies being unaware of their duties and responsibilities, which may ultimately have an impact on the achievement of objectives and the recovery of costs.

285. **The Board recommends that UNFPA ensure that country offices compile and sign the memorandum of understanding at the commencement of the agreement period.**

286. UNFPA informed the Board that the concerned country offices were addressing the issue.

Service-level agreement for financial services

287. UNDP country offices are in some instances operationally responsible for performing financial services with respect to UNFPA country office bank accounts. The regular reconciliation of bank account balances with the balances reflected in the financial records constitutes a key control in any financial system. One of the UNFPA country offices informed the Board that it had never obtained nor received bank reconciliations from UNDP. It is unclear how UNFPA can have any degree of assurance as to the completeness, accuracy and validity of the amounts processed in its bank accounts.

288. Accordingly, it may not be possible to substantiate the amounts disclosed in monthly management accounts and financial records. Furthermore, the provision of certain financial services by UNDP should not be interpreted as absolving UNFPA country offices of any accountability for the assertions contained in the financial records.

289. The lack of a detailed and signed service-level agreement may result in UNFPA or UNDP being unaware of its duties and responsibilities, which may ultimately have an impact on the effectiveness of the UNFPA Finance Branch.

290. **UNFPA agreed with the Board's recommendation that it ensure that the country offices improve the system of control over the reconciliation of bank balances with the responsible UNDP unit as part of a service-level agreement.**

291. UNFPA informed the Board that it was now performing bank reconciliations, however the country office would liaise with UNDP to facilitate the reconciliation process.

19. Procurement Services Section, Copenhagen

Accounting for procurement service fees

292. UNFPA receives funds for the procurement of supplies, equipment and services on behalf of and at the request of Governments, the United Nations and its funds and programmes, the specialized agencies, other intergovernmental institutions and non-governmental organizations. This type of procurement is referred to as third-party procurement, for which UNFPA charges a cost recovery fee at a rate of 5 per cent. UNFPA receives advance payments from third parties to

cover the cost of the goods to be procured, including insurance, freight charges and the UNFPA cost-recovery fee.

293. On reviewing the UNFPA annual financial statements for 2006, the Board noted that UNFPA accounts for the entire amount received, including the cost of goods, insurance fees, freight charges and the UNFPA cost-recovery fee, as contribution income. This practice is not in line with the United Nations system accounting standards, which define income as money or its equivalent received or accrued during the financial period that increases existing net assets. The portion relating to the cost of goods, insurance and freight charges does not increase existing net assets, as it represents funds that are held on behalf of third parties. Only the portion relating to the UNFPA cost-recovery fee will result in an increase in net assets, as it relates to fees charged by UNFPA for providing procurement services. Therefore, UNFPA income is overstated by the portion that relates to the cost of goods, insurance and freight charges.

294. The Board also noted that UNFPA records the expenditure incurred in procuring goods on behalf of third parties in its accounts. Therefore expenditure is also overstated, as it is incurred on behalf of third parties.

295. There is also a portion that relates to advance payments that have not been fully applied against purchases, as some third parties would pay a lump sum at the beginning of the year to cover their procurement requirements for the year. At year's end, those advance payments might not be fully utilized and are therefore a liability. UNFPA does not separate this portion in recognizing its income, as those liabilities were not identified in the 2006 annual financial statements. There is, however, no overall impact on net income.

296. UNFPA informed the Board that the accounting for co-financing, which includes third-party procurement, had been discussed in the IPSAS working groups. Among United Nations agencies, there is currently a difference in understanding and accounting practice for third-party procurement. Some agencies consider only the recovery fee as income, while others, including UNFPA, consider total procurement expenditure as income. The consensus in the IPSAS task force is that only the cost recovery fee should be considered as revenue, the IPSAS terminology for income. The IPSAS task force is deliberating on a common definition of income and its accounting treatment. UNFPA will comply with the guidelines that emerge through the deliberations.

297. **The Board recommends that UNFPA: (a) account for only the portion that relates to its cost-recovery fees as income; (b) account for the portion of the advance payment that is not fully utilized as a liability; and (c) derecognize the expenditure incurred for third-party procurement as part of its own expenditure.**

298. UNFPA subsequently informed the Board that it does not act as a procurement agent in third-party procurement transactions. Rather, UNFPA is a development partner, and the procurement of commodities for and on behalf of programme countries is done within the overall implementation of the country programme, the strategic plan and the UNFPA mandate. Often, third-party procurement is closely linked to other programmatic issues pertaining to commodity security, delivery and logistics and is managed jointly by the Commodities Management Branch of the Technical Support Division and the Procurement Services Section in the Division

for Management Services. This fact is demonstrated by all the documents associated with third-party procurement transactions. Accordingly, the total amount spent in third-party procurement transactions must be disclosed as programme expenditure in the financial statements.

299. UNFPA further informed the Board that it believed that the treatment thus far was consistent with the United Nations System Accounting Standards but that the ongoing discussions of UNFPA on IPSAS would ensure that UNFPA accounting practices would be in full compliance.

Fund code management

300. Annex VII to the UNFPA procurement procedures states that, pursuant to UNFPA policy to ensure availability and receipt of funds prior to committing to any expenditure or processing any requests, the Government shall pay or make arrangements to pay UNFPA an advance payment for the provision of the services. No request shall be acted upon by UNFPA until the advance payment has been deposited with UNFPA.

301. In its discussions with procurement personnel, the Board noted that when a third-party memorandum of understanding is signed, the donor must transfer the money to UNFPA before the purchase can be made. Each project has its own fund code, which is created by the Finance Branch in New York. Funds are often transferred through the UNDP bank account then applied to the related fund code. Procurement begins and various charges (e.g. insurance and the 5 per cent UNFPA procurement service fee) and credits (e.g. interest) are applied accordingly.

302. Two separate systems in Atlas, general ledger (GL) and commitment control (KK), track transactions, but the systems are not integrated. The general ledger records the receipt of funds, whereas commitment control records and tracks the purchasing activity of third parties. Third parties usually require an update of balances remaining in their accounts from the Procurement Services Section, however there are no reports detailing all of the transactions in a manner that is easy to read or manage. Procurement Services Section management concedes that the process is very cumbersome and time-consuming and as such leads to delays in providing third parties with updates on their balances. The Board noted delays ranging from one to eight months.

303. The Board further noted that some United Nations agencies, such as UNDP and UNICEF, do not make advance payments before their procurement requests are carried out. This implies that UNFPA carries the risk and any pre-financing cost. However, those agencies require UNFPA to make an advance payment before they process procurement requests. This is not in line with the UNFPA policy of ensuring the availability and receipt of funds prior to committing to any expenditure or processing any requests.

304. **The Board recommends that UNFPA: (a) develop a system to integrate the commitment control and general ledger modules in Atlas to allow for updated reports on third-party balances to be generated easily; and (b) implement processes to regularly reconcile, review and monitor fund code balances to ensure accuracy and completeness.**

305. **UNFPA agreed with the Board's recommendation that it follow an approach consistent with that used in procurement for other United Nations agencies that require advance payments to be made.**

306. UNFPA informed the Board that the integration or synchronization of the commitment control with the general ledger module posed difficulties in terms of the current Atlas configuration and the adoption of the new accounting concepts in connection with IPSAS. The introduction of the delivery principle (i.e. accrual) in line with compliance with IPSAS standards will also facilitate better accounting for advances. As a tool for budgetary control, commitment control will include encumbrances while general ledger will not; hence synchronization of the two ledgers is not feasible.

307. UNFPA stated the following with regard to the Board's observation on delays in or the absence of reports:

(a) The Finance Branch was providing the Procurement Services Section with monthly ad hoc reports on fund code balances. The Finance Branch welcomed suggestions for improvements in the presentation of information;

(b) Financial reports were prepared for the fund codes listed;

(c) Quarterly fund balances were reviewed regularly.

308. UNFPA further informed the Board that, with regard to the observation on the beginning of the procurement process without the physical deposit of funds, its processes were subject to UNFPA financial regulations 2.2, which states that "fully funded" shall mean that funds in support of a project are available in the form of cash received, an irrevocable letter of credit or, subject to guidelines established by the Executive Director, an agreement signed by UNFPA and the donor.

309. The corresponding risk-management guidelines were issued in 2006. The Division for Management Services is carefully monitoring the liquidity of UNFPA and compliance with those guidelines.

Purchase order clearing

310. In paragraph 94 of its previous report (A/61/5/Add.7, chap. II), the Board reported that UNFPA agreed with its recommendation that it review purchase orders that had been open for long periods of time and close all purchase orders as soon as the goods or services had been received and the money relating to them had been paid.

311. The Procurement Services Section explained that purchase orders were left open in Atlas when there were: (a) short deliveries and thus the purchase order could not be closed; (b) purchase orders that were not approved and not dispatched; and (c) purchase orders with a change order that had not been fully processed.

312. The year-end closure instructions for 31 December 2007 were sent to all UNFPA offices by means of a Finance Branch instruction dated 9 November 2007, which included a section on the closing of open orders. The Board noted that there were open purchase orders older than six months. A printout from Atlas was received showing 749 open orders amounting to $28,869,044 as at 22 February 2008.

Open purchase orders

313. In financial accounting terms, a portion of the outstanding obligations of UNFPA will be determined by reference to the purchase orders existing as at 31 December 2007 for which payment has not yet been made to the supplier. Purchase orders are recorded in the commitment control module as encumbrances and reported as a reduction of available resources, and they will be classified as unliquidated obligations according to the United Nations system accounting standards and recorded as expenditure in the general ledger module. Under financial rule 111.4, unliquidated obligations retained against appropriations of the previous biennium shall be reviewed periodically by the Director, Division for Management Services, within the 12-month period following the end of the biennium to which they relate, and to the extent that they are no longer valid or necessary, they shall be cancelled.

314. The year-end closure instructions provided that purchase orders existing at 31 December 2007 must be reviewed. The objective of this review is to ensure that all purchase orders with 2006 and 2007 accounting dates are either fully processed or are cancelled or closed and that all fully processed purchase orders with 2006 and 2007 accounting dates are represented as legal obligations as at 31 December 2007. This ensures that the expenditure in the general ledger and commitment control is accurate, complete and recorded in the correct year.

315. The Board was not presented with evidence to indicate that the above processes had been performed.

316. **UNFPA agreed with the Board's recommendation that it review open purchase orders regularly and close them in time to reduce the purchase order clearing exercise at year's end and that it provide more accurate procurement and expenditure reporting during the year.**

317. The Procurement Services Section informed the Board that on average, orders were typically open for at least six months from creation to delivery and payment and that the Section regularly reviewed all old and open purchase orders. The Section explained that some orders were open for longer when there were multiple deliveries or problems, such as those concerning quality, arose. Furthermore, to address the issue of open purchase orders it will run a quarterly report for purchase orders older than six months, including the order status in Atlas and SuperOffice, for review and closure in both systems where applicable. The first such improved report was provided to buyers on 1 May 2008.

Contract review and approval process

318. During the biennium 2006-2007, 236 proposed contracts valued at $53,081,088 were submitted to the Contract Review Committee for approval, of which 204 were recommended by the Committee. Six cases amounting to $822,640 were recommended by the Committee on an ex post facto basis. Ninety-nine of the cases, amounting to $11,495,680, were waivers. (A waiver is where the procurement officer does not follow competitive bidding for valid reasons, such as when there is only one known supplier.) The Board was concerned that 99 cases did not go through competitive bidding as the competitive bidding exercise was waived. There is a risk that the goods procured may not necessarily be of the best price and/or quality.

319. The UNFPA procurement policies provide that post facto approval be considered in exceptional circumstances. Reasons submitted for post facto approvals included late submissions, improper planning and parties being uninformed of the UNFPA policies and procedures on approval by the Contract Review Committee.

320. The Board also noted that there had been a post facto approval to dispose of obsolete condoms. The Board was concerned at the implications of the approval, as it reflects poorly on demand management and would have an adverse impact on the reputation of UNFPA. In this case, UNFPA had lost both the original purchase cost and any costs of disposal.

321. **The Board recommends that UNFPA: (a) comply with the procurement guidelines regarding post facto approvals; and (b) implement controls to limit the waiver of competitive bidding.**

322. The Procurement Services Section informed the Board that it shared the Board's concern in respect of both the waiving of competitive tendering and the post facto approvals. Regular reminders had been sent to country offices, and whenever the Procurement Services Section was made aware of a potential post facto situation, every effort was made to halt such action in advance.

323. The Procurement Services Section further informed the Board that in respect of the identified post facto submissions, three of the six cases were associated with the 2004 tsunami and were thus of an urgent nature. Since that time, in August 2007, emergency procurement procedures have been introduced and posted in Docushare, a web-based repository of documents. This, together with the increased circulation of proposals to the Contract Review Committee for signature, as allowed for in the procurement procedures, has helped to obviate the need for post facto submissions in emergency situations. Two further post facto submissions were a result of administrative oversights.

324. The remaining submission was in fact from the Property Survey Board. Once the condoms had exceeded their shelf life, there was no option but to destroy them. The submission simply asked the Contract Review Committee to recognize this fact and write off the corresponding value from the books. It should be noted that since this occurrence, substantial improvements have been made to the management of global contraceptive commodity programme stocks. However, in the maintenance of such stocks, there was always a finite risk of having to write off stock that had exceeded its shelf life if product demand varied from that which was forecast.

325. The Procurement Services Section further informed the Board that it had conducted training of various country offices and regions to educate country office staff on proper procurement processing and UNFPA procurement procedures. In addition, a guidance note was issued in November 2007 to educate staff on procurement. The Service hoped that these and other ongoing training efforts would reduce the number of waivers and post facto submissions. However, particularly in the case of waivers, some were unavoidable given sole-source patented manufacturers, particularly in the realm of reproductive health commodities.

326. The Board remains concerned that these significant observations were made in the management of the Procurement Services Section, which should be a centre of excellence in the practice of procurement.

327. UNFPA subsequently informed the Board that post facto submissions and waivers were allowed under the procurement procedures in certain circumstances, and the Procurement Services Section endeavoured to improve the process of preparing submissions to the Contract Review Committee and the details provided therein. To that end, a guidance note was prepared in November 2007 by Chief of the Procurement Services Section. The electronic Contract Review Committee tool includes a field to capture post facto submissions and to select reasons for waivers in order to more easily monitor such submissions at the time of review and in retrospect. In addition, new procurement procedures require the international posting on the United Nations Global Marketplace of all bids over $30,000.

Delays in payment of suppliers

328. Under the terms and conditions of the Procurement Services Section, UNFPA must make payment within 30 days of receipt of a vendor's invoice. One of the responsibilities of an accounting officer of an institution is to ensure that all contractual obligations are settled within the prescribed or agreed period. All procurement payments of the Procurement Services Section are done by the Finance Branch at UNFPA headquarters in New York. It was noted that payments to the suppliers by the Finance Branch were not effected on time.

329. Payments not made by the due date could result in interest being charged by the creditors, which may constitute fruitless expenditure.

330. The Board noted that purchase orders that were still open at year's end (this included purchase orders that were awaiting payment for which goods had been received) were closed during the closure exercise performed to finalize the year-end accounts. The closure of purchase orders awaiting payment increases the time it takes for the suppliers to be paid, as the Procurement Services Section had to re-initiate the order, starting from the requisition stage, even though the goods had already been received. The Board noted examples in which the purchase orders were closed and the payment could not be generated immediately.

331. **UNFPA agreed with the Board's recommendation that it ensure that open purchase orders for which goods have been received are paid within the stipulated credit terms.**

332. The Procurement Services Section subsequently informed the Board that suppliers were pleased with revisions the Section had made to payment processes in 2007 and reported very few payment issues when queried in meetings, e-mails and telephone calls. To further improve the process, on 17 April 2008 the Procurement Services Section requested long-term agreement-holding suppliers to send scanned documents to clear goods and improve payment services and processes. The documents required include the invoice and the shipping documents.

Use of a web-based order tracking system

333. The UNFPA procurement manual states that requisitioners may use the web-based order tracking system to retrieve the most updated shipping information for any given purchase order issued under the UNFPA business unit. Requisitioners must also use the order tracking system to confirm the physical receipt of goods. The long-term agreements have a section on delivery that states that suppliers

should regularly update specific information related to any purchase order on the order tracking system website.

334. During its review of lead times, the Board noted that requisitioners did not always confirm the physical receipt of goods on the order tracking system and that suppliers did not always update the status of the order on the system, thus making it difficult for the Procurement Services Section to trace the status of the orders.

335. Information such as the status of orders, the time it takes the suppliers to deliver and the quality of goods delivered is important in evaluating suppliers used by UNFPA, thereby leading to the Procurement Services Section selecting and using suppliers that have proven to be economical and efficient.

336. **UNFPA agreed with the Board's recommendation that it advise suppliers and requisitioners of the importance of using the online tracking system effectively in monitoring the status of order lead times and the quality of the goods delivered and in evaluating suppliers.**

337. The Procurement Services Section informed the Board that the online order tracking system was rolled out to suppliers and country offices on 1 March 2006. In the first year of implementation suppliers and requisitioners reported problems related to the stability of the system with regard to accessibility and information not being recorded after having been entered by the users. The Section's lack of resources and technical expertise was identified as the main weakness. This weakness prevented the Section from identifying and solving emerging issues in a timely manner, and led to a loss of credibility on the part of the main users. Nevertheless, time and effort were expended by the Procurement Services Section, UNDP information technology experts located in Copenhagen and external consultants to solve the problem.

338. The Procurement Services Section subsequently informed the Board that in February 2008 it had determined that the order tracking system was stable and in February and March it reminded suppliers under long-term agreements of its use and the contractual obligation. From there, a quarterly report provided data on which suppliers were using the order tracking system for individual supplier follow-up. An e-mail on first-quarter purchase orders was sent on 17 April 2008, which indicated that many suppliers were using the order tracking system more for tracking estimated time of arrival/estimated time of delivery than for actual time of arrival/actual time of delivery. Supplier responses suggested some process/communication improvements to the Procurement Services Section, which were implemented in April to improve the order tracking system. The Procurement Services Section is considering sending automated reminder messages to suppliers through the order tracking system.

Procurement plans

339. In paragraph 118 of its previous report (A/61/5/Add.7, chap. II), the Board reported that UNFPA agreed with its recommendation that country offices provide the Procurement Services Section with detailed annual procurement plans that facilitate acquisitions throughout the year.

340. Procurement planning is essential for the timely solicitation of quotations, bids or proposals that are cost efficient, the award of long-term agreements and the reduction of delivery lead times.

341. The UNFPA procurement procedures state that in an attempt to reduce delivery lead times, the Procurement Services Section urges all country offices to indicate their respective tentative procurement plans for reproductive health commodities in the country commodity manager as early as possible each year. Based on this information, the Procurement Services Section can alert major manufacturers to prepare their production capacities accordingly.

342. UNFPA country offices are required to prepare a standard procurement plan and submit it to the Procurement Services Section. The Board noted from information provided by the Procurement Services Section that very few country offices had submitted the required procurement plans. The Board noted that 19 out of 130 (15 per cent) country offices had submitted procurement plans for 2006 and 26 per cent for 2007. However, all the plans submitted were inadequate such that the Procurement Services Section judged them unusable because the information forwarded was incomplete.

343. The Procurement Services Section informed the Board that in March 2008 it had launched a web-based procurement planning input tool with a training tool in three languages to collect data. Following the 31 March deadline, each country team of the Procurement Services Section followed up with the respective countries to remind them to input data, and as at early May 2008, approximately 75 per cent of countries had input data.

344. **UNFPA agreed with the Board's recommendation that it implement mechanisms and controls to ensure that appropriate procurement plans are submitted by all country offices, in accordance with the procurement manual as well as financial regulations.**

345. The Procurement Services Section informed the Board that this was an area of increased effort by the Section in 2007, continuing in 2008. The requirement that country offices submit procurement plans is a sound practice, as it enables the countries to plan their own annual work, present requisitions earlier in the year and receive goods (legally) in 2008 — a new IPSAS requirement. The Chief of Procurement had sent two e-mails on the subject of procurement plans already in 2008.

Spread of volume of procurement purchase orders

346. The Board noted that for 2006, the Procurement Services Section had raised 42 per cent of the total of 1,496 purchase orders in the last three months of the year. The majority of them originated in UNFPA country offices, which supplied 52 per cent of the procurement requests in the last four months, despite repeated requests to country offices by the Chief of the Procurement Services Section to phase their requirements over the year. The same pattern occurred in the previous biennium.

347. The Board acknowledges that there has been an improvement in 2007, however a high number of purchase orders were still generated at the end of the year.

348. **UNFPA agreed with the Board's recommendation that it ensure that headquarters units and country offices phase their requirements throughout the year to avoid a large volume of work at year's end.**

349. The Procurement Services Section informed the Board that the improvement in 2007 was due in part to repeated reminders from the Chief of Procurement in the August/September period. Unfortunately, country office budgets are not finalized until around March, which delays the start of requisitions to procurement in a calendar year.

350. The first quarter of 2008 shows similar values of orders compared to the same period in 2007, with a 25 per cent increase in the number of purchase orders.

351. The Procurement Services Section informed the Board that the high number of orders already issued likely reflected reminders about the conversion of UNFPA to the IPSAS accounting method, which has generated concern in the country offices over fund code expiration dates as well as the delivery of goods. The Procurement Services Section sent a reminder to country offices in March regarding lead times and the effect of IPSAS. A lead-time calculator was provided in May 2008 to aid country offices in determining estimated shipment dates (i.e., when ownership transfers to UNFPA).

Physical receipt checkbox in Atlas

352. In paragraph 100 of its previous report (A/61/5/Add.7, chap. II), the Board reported that UNFPA agreed with its recommendation that it monitor "physical receipt" checkboxes in Atlas that had not been ticked, as well as follow-up on receiving and inspection reports not received.

353. A report from Atlas on headquarters and country offices of all purchase orders for 2006 and 2007 was reviewed. The Board noted that for 97 per cent of items in the 2006 report and 99 per cent in 2007, the physical receipt checkbox in Atlas had not been ticked, indicating that goods received were defective, damaged or not in compliance with the purchase order. However, only a few receiving and inspection reports were sent to the office issuing the purchase order, with the result that the items might have been received in good order, but there were no control procedures to indicate this in Atlas.

354. While the Board notes that payments related to a purchase order are not subject to the receipt of a receiving and inspection report, long delays and inadequate follow-up procedures could lead to the right of recourse against the supplier for the delivery of damaged goods being compromised.

355. **UNFPA agreed with the Board's reiterated recommendation that it: (a) monitor physical receipt checkboxes in Atlas on receipt of goods and follow up on the non-receipt of receiving and inspection reports; and (b) create awareness in country offices of the importance of submitting receiving and inspection reports on a timely basis.**

356. The Procurement Services Section informed the Board that in 2006 and 2007 it had reminded the country offices about this process, which in itself is somewhat logistically difficult. Since payments are based on shipping documents and it can take months for goods to be received at the port, clear customs, reach their final destination and finally be installed, actual inspection may be delayed for unavoidable reasons. In theory, for every purchase order delivered the physical receipt should be checked in Atlas, although later a receiving and inspection report may be required when the cartons are opened. Checking "physical receipt" does not

preclude a receiving and inspection report later. With such a report, UNFPA can seek correction of damage through the insurance company and/or the supplier.

357. The Procurement Services Section further informed the Board that this process had been discussed in the four regional procurement training workshops held in 2006 and the operations manager training held in August 2007 in New York, as well as in e-mails from the Procurement Services Section, and that it would continue to run reports and address the omission of the physical receipt checkbox in the future.

Supplier evaluation

358. The UNFPA procurement procedures require that the performance of existing suppliers be rated on an ongoing basis. During the Board's review of the supplier evaluations it found that the system was operational only for part of 2006 until it was found that there was a problem with programming, which led to the calculation of incorrect scores by the system, as it gave a zero to all suppliers. As a result, suppliers have not been evaluated since then. This was being followed up with the management information system to resolve the programming problem.

359. **UNFPA agreed with the Board's recommendation that it: (a) evaluate suppliers on an ongoing basis in accordance with the section of the procurement policies entitled "Vendor management"; and (b) ensure that the supplier performance evaluation system is made operational.**

360. The Procurement Services Section informed the Board that it had been struggling with the supplier evaluations in past years. The automated supplier evaluation plan is based on three major components. The supplier evaluation plan was to go live in 2007, however programming has been problematic.

361. The Procurement Services Section further informed the Board that it had not neglected the evaluation of suppliers in 2007. In particular, the suppliers of condoms, the Section's main item by volume, received particular attention. Until the automated supplier evaluation system was operational, the Section will continue to monitor and evaluate supplier performance with the information at its disposal. An automated system will, to some extent, ease the administrative burden required by manual tallies. Evaluation is a critical piece of the partnerships the Procurement Services Section strives for in supplier relationships.

Procurement environmental policy

362. In paragraph 120 of its previous report (A/61/5/Add.7, chap. II), the Board reported that UNFPA agreed with its recommendation that it consider environmental concerns in the procurement function and assess ways in which the function could be aligned with an environmental strategy.

363. The Board noted that the Procurement Services Section had a draft procurement environmental policy and that environmental concerns may not be addressed sufficiently and consistently in the absence of an approved policy.

364. **The Procurement Services Section agreed with the Board's recommendation to finalize and approve the procurement environmental policy.**

365. The Procurement Services Section informed the Board that the policy had since been approved.

Long-term agreements

366. The use of long-term purchase agreements is a common way to ensure a reliable source of goods and services at the lowest price. All long-term agreements, for both condoms and reproductive health commodities, were reviewed for 2006 and 2007. The Board noted that four such agreements had been signed only after procurement had commenced. Procuring from a supplier without a valid agreement could lead to the terms and conditions of the contract not being adhered to, as well as disputes and unauthorized purchases.

367. **UNFPA agreed with the Board's recommendation that it enter into long-term agreements with the supplier prior to purchasing goods.**

368. The Procurement Services Section informed the Board that the contracts team tried to manage long-term agreements well ahead of the expiration dates. Occasionally, delays in the bid analysis, award or document preparation processes do occur. Also, following its approval, the Section e-mails a draft version of the agreement, as it has found that this reduces the overall time required for signature and return of the hard copy. These process improvements reduce the number of situations in which UNFPA is "uncovered" by long-term agreements. To date, the contracts team is successfully managing ahead of/against the calendar of expiring agreements in 2008.

20. Internal audit function

369. The Board reviewed the annual workplans of the Division for Oversight Services for 2006 and 2007. For 2006, the Division planned 27 audits and 4 programme performance assessments, of which 26 audits and 2 performance assessments were completed. One audit and one performance assessment were carried forward to 2007 and one performance assessment was cancelled. For 2007, the Division planned 21 audits, 3 of which were carried forward to 2008 and 1 of which was cancelled.

370. On examining the audit plans and reports of the Division, the Board noted that the Division's review covered only country office visits and nationally executed expenditure results and there was no coverage of headquarters and financial statement matters.

371. **The Board reiterates its previous recommendation that UNFPA ensure that the Division for Oversight Services increase coverage of headquarters and financial statement matters.**

372. In September 2006 a quality assurance peer review was conducted by the Institute of Internal Auditors on the Division for Oversight Services in keeping with best practice and in compliance with the Institute's standards.

373. The quality assurance peer review gave the Division a rating of "partially conforms" on the overall evaluation and "generally conforms" on compliance with the Institute's code of ethics.

374. The quality assurance report listed six significant areas of improvement to enhance conformity with professional standards, namely:

(a) The risk model should be further expanded to include the whole auditable population;

(b) The Division's charter should be approved;

(c) Staffing resources should be increased to provide adequate coverage of investigations and information systems;

(d) The practices and procedures of the Division should be documented;

(e) Supervision over assignments should be strengthened;

(f) The system and procedures leading to the issuance of audit reports should be reviewed to decrease the release lead time.

375. The Division has instituted steps to address those recommendations.

21. Internal audit findings

376. The Division for Oversight Services issued reports on its audit visits to 59 country offices during the biennium, including audits commencing in the previous biennium. The Division issued 58 ratings: 12 "satisfactory", 35 "partially satisfactory" and 11 "unsatisfactory".

377. A summary of significant findings from audits performed by the Division follows:

Review of 2006 nationally executed expenditure results

378. As part of its responsibility to report on the regularity of accounting and reporting of UNFPA nationally executed financial resources, the Division for Oversight Services reported on the results of nationally executed expenditure audits in 2006. The Division concluded that the reports received until 31 October 2007 did not allow it to provide adequate assurance that $67.6 million of UNFPA resources were managed by the implementing partners in accordance with their workplans and agreements.

379. Furthermore, the Division reported that additional reports had been received until 6 March 2008, but it claimed a limitation of scope on those, stating that there had been insufficient time to validate their impact. The Division reported to the Executive Director in a memorandum dated 13 March 2008 that, notwithstanding this constraint and had the reports been included, the overall position would not have allowed the Division to provide adequate assurance that $46.9 million of UNFPA resources had been properly managed.

380. The Division stated the following reasons for its inability to provide adequate assurance on the 2006 nationally executed expenditure audits:

(a) Some country offices and divisions had failed to provide UNFPA with necessary assurance on $9.2 million of expenditure, as no audit reports had been received;

(b) Audit reports on expenditure of $37.7 million had been qualified, equivalent to 27.5 per cent of total expenditure audited;

(c) The Division concluded that the above two findings taken together indicated that UNFPA was unable to obtain reasonable assurance that $46.9 million of the 2006 nationally executed expenditure had been properly managed by the implementing partners;

(d) Twenty-six per cent of the nationally executed expenditure audit reports did not comply with the policies and procedures manual and the terms of reference, undermining the reliance that could be placed on work done by the auditors of the nationally executed expenditure;

(e) Sixty-seven per cent of the nationally executed expenditure reports had not been submitted and reported to the Division by the 31 March 2007 deadline;

(f) The auditors of the nationally executed expenditure specifically identified $5.9 million of expenditure for which inadequate support existed.

Nationally executed expenditure audit process

381. The Division for Oversight Services noted weaknesses in the nationally executed expenditure audit process in most country offices that it visited, ranging from audit reports not including management comments to inadequate maintenance of accounting records to reports with no opinion or inadequate opinions.

Assessment of implementing partners in project execution

382. The Division noted that a number of country offices had not formally conducted assessments of the financial soundness and the technical and managerial capacities of non-governmental organizations in project execution prior to selecting them as implementing partners to ensure that their legal status, financial soundness and programme implementation capacity was adequate.

Office space used to accommodate visitors overnight

383. The Division noted that a district office had been used to accommodate visitors overnight and that information may have been compromised.

Duplicate vendors in Atlas

384. The Division noted that a number of country offices had duplicate vendors in Atlas and that the list of Atlas vendors had not been regularly reviewed to ensure there were no duplicate vendors and that vendors not used had been deactivated.

Disaster recovery plan and disaster recovery procedures

385. The Division noted that a number of country offices did not have a disaster recovery plan and that backup procedures were inadequate. Furthermore, there were inadequate network password controls and there was no maintenance contract covering office equipment.

386. The Division also noted that the server rooms were not properly protected against fire. The fire extinguishers were not readily accessible and had not been tested in a while, and smoke detectors had not been installed.

Contract management

387. The Division noted that one country office did not maintain up-to-date contracts with several of its key suppliers while still using their services.

Operating funds advanced

388. The Division noted that at some country offices large operating funds advanced balances remained outstanding for over a year and that not all of them agreed with the implementing partner's records. Furthermore, the balances in some country offices had not been adjusted for currency gains and losses on an annual basis, as required by the Division for Management Services.

389. The Division for Oversight Services also noted instances in which the reporting of expenditures on advances received by the projects was not done in a timely manner, resulting in large operating funds advanced balances. Furthermore, the documents supporting the reconciliations were not always adequate and were not approved by the implementing partners to acknowledge their understanding of and agreement with the adjustments made.

Procurement

390. The Division noted that some country offices did not always confirm the physical receipt of goods procured for the implementing partners to the Procurement Services Section, either in Atlas or through receiving and inspection reports. The Division noted that in some instances the approval of the Contract Review Committee had not been sought before the goods were procured.

391. The Division noted that there were vouchers for which the payment approval officer could not be identified. Furthermore, there were major vendors (i.e. for contracts valued at over $30,000) that were entered in Atlas without undergoing the necessary vendor evaluation process as requested in headquarters procurement guidelines.

Non-expendable property

392. The Division noted a number of instances in which some assets that were disposed of had not been removed from the Atlas asset module and instances in which inventory records in Atlas were not accurate. It further noted that some country offices had not conducted a physical inventory of non-expendable items. In some country offices there was no detailed inventory listing of assets, and assets had not been tagged with unique asset identification numbers.

Bank account administration

393. At one country office, the Division for Oversight Services noted that no formal approval had been obtained from the Division for Management Services on the establishment of a bank account under the Strategic Planning Office. Furthermore, bank statements and reconciliations had not been submitted on a monthly basis, and there was no evidence of review of the bank reconciliations by the Office.

Atlas administration

394. In some country offices, the Division for Oversight Services noted that duties were not adequately segregated, as users were granted incompatible roles on the system, and that Atlas user rights for separated staff members had not been cancelled.

Weak controls over the disbursement process

395. The Division noted several weaknesses in the procurement and disbursement processes, including the lack of a system to follow up on advances and the charging of expenditures to the wrong project or account. Some country offices did not systematically certify that goods or services had been delivered satisfactorily prior to processing payment and did not cancel the supporting documents upon payment. The vouchers did not always have adequate supporting documentation.

Safeguarding of medical supplies and equipment

396. At one country office, the Division noted that UNFPA medical supplies and equipment were stored in an old residential apartment located on the United Nations compound. On 25 April 2006, the Division visited the apartment in question and noted various storage and safety deficiencies.

397. **The Board considers that the findings of the Division for Oversight Services reflect significant shortcomings in the areas highlighted, and underscores the need for UNFPA to address those shortcomings.**

22. Write-offs and disposals

398. UNFPA notified the Board in accordance with rule 106.9 of the Financial Regulations and Rules of the United Nations that it had made write-offs amounting to $132,147 during the biennium. A total of $129,318 of those write-offs related to an advance that was given to a contractor that failed to deliver under the terms of the contract. Legal action was not deemed feasible. A further amount of $2,829 relates to inactive operating fund advances valued at less than $1,000 that were written off.

23. Ex gratia payments

399. UNFPA reported to the Board one ex gratia payment amounting to $10,000 during this biennium. It had been made to a consultant contracted under a special service agreement who was killed in a bus accident in February 2005.

24. Cases of fraud and presumptive fraud

400. UNFPA reported to the Board 11 cases of fraud and presumptive fraud. Four cases did not result in any financial loss, while six resulted in a financial loss of $72,777 and one case is still under investigation and could result in a financial loss of $10,000.

401. The cases that did not result in financial loss are summarized as follows:

(a) A person unknown to UNFPA used UNFPA documents to obtain a visa;

(b) A staff member responsible for visa requests misused his position to request official visas for two foreign businessmen unrelated to UNFPA through the note verbale procedure, reserved for the United Nations and diplomats; the staff member was subsequently dismissed;

(c) In the course of a competitive bidding process, three bids from one supplier were presented as having been submitted by three suppliers;

(d) Two cheques given to a logistics clerk for payment were noted to have never been paid despite the clerk's having claimed that he paid them; this did not, however, result in any financial loss to UNFPA.

402. The one case that is still under investigation by the Division for Oversight Services relates to cheques for presumed unknown contracts. The loss is estimated to amount to $10,000, and the case is under investigation.

403. The following cases were noted to have resulted in financial loss:

(a) $4,950 of petrol card expenditure was noted to have been misappropriated;

(b) Some blank cheques were stolen from a chequebook and cheques totalling $5,548 were cashed with forged signatures;

(c) A $3,600 advance payment was given to a consultant on the signature of the contractor, however the consultant did not perform the services he was contracted for. The consultant has since given two new medical machines to UNFPA as reimbursement, but UNFPA did not accept them as compensation;

(d) Invoices amounting to $25,522 issued for the allocation of petrol products were noted to be significantly inflated;

(e) A project finance officer perpetrated fraudulent transactions in the amount of $32,660 by cashing fictitious cheques;

(f) A staff member did not refund an advance of $497 and has since resigned.

C. Acknowledgement

404. The Board of Auditors wishes to express its appreciation for the cooperation and assistance extended to its staff by the United Nations Population Fund as well as to the staff of the country offices.

(*Signed*) Philippe **Séguin**
First President of the Court of Accounts of France
Chairman, United Nations Board of Auditors

(*Signed*) Reynaldo A. **Villar**
Chairman, Philippine Commission on Audit

(*Signed*) Terence **Nombembe**
Auditor-General of the Republic of South Africa
Lead Auditor

30 June 2008

Annex

Analysis of the status of implementation of the Board's recommendations for the biennium ended 31 December 2005[a]

Subject	*Paragraph reference*[c]	*First reported*	*Fully implemented*	*Partially implemented*	*Not implemented*
1. Monthly bank reconciliations	27	2002-2003	X		
2. Inter-agency discrepancies	29	2004-2005		X	
3. Long-outstanding education grants	32	2004-2005	X		
4. Atlas controls	40	2002-2003		X	
5. Differences in operating fund advances	46	2004-2005	X		
6. Clearing of advances to implementing partners	51	2002-2003		X	
7. Analysis of nationally executed expenditure audit reports	59	2004-2005		X	
8. Maintaining nationally executed expenditure audit database with appointing authority	62	2002-2003		X[b]	
9. Revised terms of reference on nationally executed expenditure audits	68	2004-2005		X	
10. Follow-up on findings of nationally executed expenditure audits	74	2004-2005	X		
11. Nationally executed expenditure database to reflect financial impact of qualified reports (quantification)	79	2004-2005	X		
12. Database to include project costs of audit	81	2004-2005		X[b]	
13. Staff funded from project funds performing biennial support budget tasks	89	2004-2005	X		
14. Project funds, workplans and budget	90	2004-2005	X		
15. Long-open purchase orders	94	2002-2003		X	
16. Acknowledgement of physical receipt of goods	100	2004-2005		X	
17. Payment tracking by country offices	103	2004-2005	X		
18. Adherence to the procurement procedures	105	2002-2003		X	
19. Non-recording of manual payments	108	2004-2005	X		
20. Strategic results framework	110	2002-2003	X		
21. Development of a gift policy	113	2004-2005	X		
22. Annual procurement plans	118	2004-2005		X	
23. Alignment of procurement with environmental concerns	120	2004-2005		X	
24. Incomplete annual reporting on performance results	126	2004-2005	X		
25. Structure of the strategic results framework	128	2004-2005	X		
26. Progress reports to donors	132	2004-2005		X	

Subject	*Paragraph reference*[a]	*First reported*	*Fully implemented*	*Partially implemented*	*Not implemented*
27. Establishment of a costing methodology	135	2004-2005	X		
28. Development of an internal audit charter	142	2002-2003	X		
29. Division for Oversight Services coverage on the reliability of accounting data	144	2004-2005		X	
30. Systematic follow-up of internal audit recommendations	150	2004-2005		X	
31. Succession planning	156	2002-2003		X	
32. Special service agreement evaluation reports and attendance records	164	2002-2003		X	
33. Submission of special service agreement semi-annual reports	169	2002-2003		X	
34. Performance appraisal	174	2002-2003		X	
35. Staff training on Atlas	177	2002-2003		X	
36. Gender balance	183	2004-2005	X		
37. Leave administration	188	2002-2003		X	
38. Forfeiture of excess leave	190	2002-2003	X		
39. Leave administration system	192	2004-2005		X	
40. Weaknesses in asset management	198	2004-2005	X		
41. Capitalization of assets in line with the directives governing non-expendable equipment	201	2004-2005	X		
42. Fraud and presumptive fraud reports	203	2004-2005	X		
Total recommendations			**20**	**22**	—
Percentage			**48**	**52**	—

[a] See A/61/5/Add.7, chap. II.

[b] UNFPA indicated that as at 27 June 2008, it considered these recommendations to have been fully implemented.

Chapter III
Audit opinion

We have audited the accompanying financial statements of the United Nations Population Fund, comprising statements numbered I to IV, schedules 1 to 8 and the supporting notes, for the biennium ended 31 December 2007. These financial statements are the responsibility of the Executive Director. Our responsibility is to express an opinion on the financial statements based on our audit.

We conducted our audit in accordance with the International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting policies used and significant estimates made by the Executive Director, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for the audit opinion.

In our opinion, the financial statements present fairly, in all material respects, the financial position of UNFPA as at 31 December 2007 and the results of its operations and its cash flows for the period then ended, in accordance with the United Nations system accounting standards.

Furthermore, in our opinion, the transactions of the United Nations Population Fund that have come to our notice, or which we have tested as part of our audit, have in all significant respects been in accordance with the financial regulations and rules of UNFPA and legislative authority.

Without qualifying our opinions expressed above, we draw attention to the following matter. Governments and non-governmental organizations incurred programme expenditure on behalf of UNFPA under the nationally executed expenditure modality. In respect of the biennium, the Board extended its review of the nationally executed expenditure processes and the results reflected in audit reports. Reports furnished by nationally executed expenditure auditors reflected some negative audit outcomes, while the nationally executed expenditure audit process had several shortcomings.

In accordance with article VII of the Financial Regulations and Rules of the United Nations, we have also issued a long-form report on our audit of the United Nations Population Fund.

(*Signed*) Philippe **Séguin**
First President of the Court of Accounts of France
Chairman of the United Nations Board of Auditors

(*Signed*) Reynaldo A. **Villar**
Chairman, Philippine Commission on Audit

(*Signed*) Terence **Nombembe**
Auditor-General of the Republic of South Africa
Lead Auditor

30 June 2008

Chapter IV
Certification of the financial statements

30 April 2008

I certify that, to the best of my knowledge, information and belief, all material transactions have been properly charged in the accounting records and are properly reflected in the appended financial statements.

I acknowledge that:

- The management is responsible for the integrity and objectivity of the financial and other information included in the financial statements.
- The financial statements have been prepared in accordance with the United Nations system accounting standards and include certain amounts that are based on management's best estimates and judgements.
- Accounting procedures and related systems of internal control provide reasonable assurance that assets are safeguarded, that the books and records properly reflect all transactions and that, overall, policies and procedures are implemented with an appropriate segregation of duties. The internal auditor continually reviews the accounting and control systems. Further improvements are being implemented in specific areas.
- The management provided the internal auditor with full and free access to all accounting and financial records.
- The recommendation of the United Nations Board of Auditors and the internal auditor are reviewed by the management. Control procedures have been revised or are in the process of revision, as appropriate, in response to these recommendations.

I am in receipt of a letter of certification from the Director and Comptroller, United Nations Development Programme, Bureau of Administration, Office of Finance and Administration, which provided the same assurances with respect to UNDP accounting procedures and related systems of control to the extent that services are provid[illegible]y UNDP to UNFPA, in accordance with the management agreement currently in force and its subsequent amendments and in conformity with UNFPA financial rule 116.2.

(*Signed*) Subhash K. **Gupta**
Director
Division for Management Services

The Chairman of the Board of Auditors
United Nations
New York

Chapter V
Financial statements for the biennium ended 31 December 2007

Statement I
Income and expenditure and fund balances for the biennium ended 31 December 2007

1.1 Overview
(Thousands of United States dollars)

		Regular resources		Other resources		Total	
		2006-2007	2004-2005	2006-2007	2004-2005	2006-2007	2004-2005
INCOME							
Contributions	Schedule 1	751 861	689 211	496 138	365 093	1 247 999	1 054 304
Exchange adjustments	Schedule 1	27 663	(15 464)	-	-	27 663	(15 464)
CONTRIBUTIONS-NET		**779 524**	**673 747**	**496 138**	**365 093**	**1 275 662**	**1 038 840**
Private endowment trust	Note 4	33 745	-	-	-	33 745	-
Interest income		29 167	9 822	14 721	7 811	43 888	17 633
Other income	Schedule 2	4 017	9 978	413	768	4 430	10 746
TOTAL INCOME		**846 453**	**693 547**	**511 272**	**373 672**	**1 357 725**	**1 067 219**
						-	-
EXPENDITURE							
Programme activities	Schedules 3, 4	519 360	456 286	422 215	321 469	941 575	777 755
Technical advisory programme	Note 2(l)	37 856	38 382	-	-	37 856	38 382
PROGRAMME EXPENDITURE		**557 216**	**494 668**	**422 215**	**321 469**	**979 431**	**816 137**
Net biennial support budget expenditure	Schedule 5, note 11	174 872	148 861	-	-	174 872	148 861
Implementation of enterprise resource planning system	Note 12	4 983	6 669	-	-	4 983	6 669
Other expenditure	Schedule 2	5 800	3 111	549	25	6 349	3 136
TOTAL EXPENDITURE		**742 871**	**653 309**	**422 764**	**321 494**	**1 165 635**	**974 803**
EXCESS OF INCOME OVER EXPENDITURE		**103 582**	**40 238**	**88 508**	**52 178**	**192 090**	**92 416**
Provision for doubtful collection of contributions receivable		201	224	-	-	201	224
Other adjustments	Note 9	(525)	443	2 976	(512)	2 451	(69)
NET EXCESS OF INCOME OVER EXPENDITURE		**103 905**	**39 571**	**85 532**	**52 690**	**189 437**	**92 261**
Fund balances as at 1 January		48 626	20 018	157 104	108 657	205 730	128 675
Savings on prior period obligations		2 671	2 627	-	-	2 671	2 627
Staff-related benefits	Notes 2(l), 24	(85 928)	-	-	-	(85 928)	-
Transfers within reserves						-	-
- to reserve for field accommodation	Note 18	(454)	(1 100)	-	-	(454)	(1 100)
- to operational reserve	Note 19	(2 551)	(12 539)	-	-	(2 551)	(12 539)
Refunds to donors	Note 2(k), schedules 6, 7	-	-	(14 806)	(2 982)	(14 806)	(2 982)
Transfers within UNFPA resources						-	-
- to regular resources		-	-	(3 111)	(1 271)	(3 111)	(1 271)
- from regular resources		-	-	2 239	10	2 239	10
- to other resources		(2 239)	(10)	-	(249)	(2 239)	(259)
- from other resources		1 575	58	-	249	1 575	307
FUND BALANCES AS AT 31 DECEMBER	**Statement 4**	**65 606**	**48 626**	**226 961**	**157 104**	**292 567**	**205 730**

1.2 Other resources

(Thousands of United States dollars)

	Co-financing		Junior Professional Officers programme		Procurement		Total other resources	
	2006-2007 (Schedule 6)	2004-2005	2006-2007	2004-2005	2006-2007 (Schedule 7)	2004-2005	2006-2007	2004-2005
INCOME								
Contributions	417 846	289 409	5 085	4 653	73 207	71 030	496 138	365 093
Interest income	13 187	6 892	155	41	1 379	878	14 721	7 811
Other income	412	746	-	-	1	22	413	768
TOTAL INCOME	**431 445**	**297 047**	**5 240**	**4 694**	**74 587**	**71 930**	**511 272**	**373 672**
EXPENDITURE								
Programme activities	350 549	250 037	4 370	2 330	67 296	69 102	422 215	321 469
PROGRAMME EXPENDITURE	**350 549**	**250 037**	**4 370**	**2 330**	**67 296**	**69 102**	**422 215**	**321 469**
Other expenditure	337	33	2	-	209	(8)	549	25
TOTAL EXPENDITURE	**350 886**	**250 070**	**4 372**	**2 330**	**67 505**	**69 094**	**422 764**	**321 494**
EXCESS OF INCOME OVER EXPENDITURE	**80 559**	**46 977**	**868**	**2 364**	**7 082**	**2 836**	**88 508**	**52 178**
Other adjustments Note 9	2 195	(512)	-	-	781	-	2 976	(512)
NET EXCESS OF INCOME OVER EXPENDITURE	**78 366**	**47 489**	**868**	**2 364**	**6 301**	**2 836**	**85 532**	**52 690**
Fund balances as at 1 January	145 538	101 099	2 484	98	9 084	7 460	157 104	108 657
Refunds to donors	(13 378)	(2 755)	-	-	(1 428)	(227)	(14 806)	(2 982)
Transfers within UNFPA resources								
To regular resources	(1 602)	(58)	-	-	(1 509)	(1 213)	(3 111)	(1 271)
From regular resources	2 130	10	-	-	109	-	2 239	10
To other resources	-	(249)	-	-	-	-	-	(249)
From other resources	-	-	-	22	-	227	-	249
FUND BALANCES AS AT 31 DECEMBER	**211 055**	**145 538**	**3 352**	**2 484**	**12 556**	**9 084**	**226 961**	**157 104**

Statement 2
Assets, liabilities and fund balances as at 31 December 2007

2.1 Overview
(Thousands of United States dollars)

		Regular resources		Other resources		Total	
		2007	2005	2007	2005	2007	2005
ASSETS							
Cash		813	5 214	7	270	820	5 484
Investments	Schedule 8	302 955	113 572	290 787	227 016	593 742	340 588
TOTAL CASH AND INVESTMENTS		**303 768**	**118 786**	**290 794**	**227 286**	**594 562**	**346 072**
Accounts receivable							
Contributions receivable	Note 3	1 298	2 544	176	88	1 474	2 632
Provision for doubtful collection of contributions receivable	Note 6	(88)	(125)	-	-	(88)	(125)
Other	Note 14	14 196	8 308	92	296	14 288	8 604
Due from United Nations agencies		-	30 352	-	-	-	30 352
Other assets						-	-
Operating funds provided to:	Notes 2(e), 25					-	-
Government		5 728	9 254	2 843	3 334	8 571	12 588
United Nations agencies		385	945	1 103	3 135	1 488	4 080
Intergovernmental institutions and NGOs		2 920	2 862	2 535	1 262	5 455	4 124
Long-term receivables	Note 4	1 000	-	-	-	1 000	-
TOTAL ASSETS		**329 206**	**172 926**	**297 544**	**235 401**	**626 750**	**408 327**
LIABILITIES							
Contributions received in advance	Note 5	6 630	244	-	-	6 630	244
Unliquidated obligations	Note 17	29 195	34 613	43 398	64 532	72 593	99 145
Accounts payable						-	-
Due to United Nations agencies		47 757	6 517	11 893	7 251	59 650	13 768
Other	Note 15	7 285	3 665	14 491	5 826	21 776	9 491
Operating funds payable to:	Notes 2(e), 25					-	-
Government		1 015	3 130	486	453	1 500	3 583
United Nations agencies		15	259	-	79	15	338
Intergovernmental institutions and NGOs		504	628	315	154	819	782
Long-term liabilities	Note 16	93 404	-	-	-	93 404	-
TOTAL LIABILITIES		**185 804**	**49 055**	**70 583**	**78 296**	**256 387**	**127 351**
RESERVES AND FUND BALANCES							
Operational reserve	Note 19	72 796	70 245	-	-	72 796	70 245
Reserve for field accommodation	Note 18	5 000	5 000	-	-	5 000	5 000
Programmable fund balances		65 606	48 626	226 961	157 104	292 567	205 730
TOTAL RESERVES AND FUND BALANCES	Statement 4	**143 402**	**123 871**	**226 961**	**157 104**	**370 363**	**280 975**
TOTAL LIABILITIES AND RESERVES AND FUND BALANCES		**329 206**	**172 926**	**297 544**	**235 400**	**626 750**	**408 327**

2.2 Other resources

(Thousands of United States dollars)

		Cost-financing		Junior Professional Officers programme		Procurement services		Total other resources	
		2007	2005	2007	2005	2007	2005	2007	2005
ASSETS									
Cash		7	270	-	-	-	-	7	270
Investments	Schedule 8	290 787	198 725	-	2 274	-	26 017	290 787	227 016
TOTAL CASH AND INVESTMENTS		**290 794**	**198 995**	**-**	**2 274**	**-**	**26 017**	**290 794**	**227 286**
Accounts receivable									
Contributions receivable		176	88	-	-	-	-	176	88
Other	Note 14	96	88	(5)	208	1	-	92	296
Other assets									
Operating funds provided to:	Notes 2(e), 25								
Government		2 843	3 334	-	-	-	-	2 843	3 334
United Nations agencies		1 103	3 135	-	-	-	-	1 103	3 135
Intergovernmental institutions and NGOs		2 535	1 262	-	-	-	-	2 535	1 262
TOTAL ASSETS		**297 547**	**206 902**	**(5)**	**2 482**	**1**	**26 017**	**297 544**	**235 400**
LIABILITIES									
Unliquidated obligations	Note 17	35 031	48 158	6	20	8 360	16 354	43 398	64 532
Accounts payable									
Due to United Nations agencies		38 391	7 238	(3 339)	-	(23 159)	13	11 893	7 251
Other	Note 15	12 269	5 282	(24)	(22)	2 246	566	14 491	5 826
Operating funds payable to:	Notes 2(e), 25								
Government		486	453	-	-	-	-	486	453
United Nations agencies		-	79	-	-	-	-	-	79
Intergovernmental institutions and NGOs		315	154	-	-	-	-	315	154
TOTAL LIABILITIES		**86 493**	**61 364**	**(3 357)**	**(2)**	**(12 553)**	**16 933**	**70 583**	**78 294**
RESERVES AND FUND BALANCES									
Programmable fund balances		211 055	145 538	3 352	2 484	12 554	9 084	226 961	157 104
TOTAL RESERVES AND FUND BALANCES		**211 055**	**145 538**	**3 352**	**2 484**	**12 554**	**9 084**	**226 961**	**157 104**
TOTAL LIABILITIES AND RESERVES AND FUND BALANCES		**297 548**	**206 902**	**(5)**	**2 482**	**1**	**26 017**	**297 544**	**235 400**

Statement 3
Statement of cash flows for the biennium ended 31 December 2007

3.1 Overview
(Thousands of United States dollars)

		Regular resources		Other resources		Total	
		2006-2007	2004-2005	2006-2007	2004-2005	2006-2007	2004-2005
CASH FLOWS FROM OPERATING ACTIVITIES							
Excess/(shortfall) of income over expenditure	Statement 1.1	103 905	39 571	85 532	52 690	189 437	92 261
Decrease / (increase) in contributions receivable		1 246	(1 384)	(88)	(88)	1 158	(1 472)
(Decrease) / increase in provision for doubtful collection of contributions receivable		(37)	70	-	-	(37)	70
(Increase) / decrease in other accounts receivable		(11 519)	(722)	204	206	(11 315)	(516)
Decrease / (increase) in other assets		4 032	(8 683)	1 250	(4 183)	5 282	(12 866)
(Increase) / decrease in long term receivables		(1 000)	-	-	-	(1 000)	-
Increase / (decrease) in contributions received in advance		6 386	214	-	-	6 386	214
(Decrease) / increase in unliquidated obligations		(5 418)	704	(21 134)	24 534	(26 552)	25 238
(Decrease) / increase in other liabilities		1 137	8 748	8 780	11 785	9 917	20 533
Increase / (decrease) in long term liabilities		7 476	-	-	-	7 476	-
Less: Interest income		(29 167)	(9 822)	(14 721)	(7 811)	(43 888)	(17 633)
NET CASH FROM / (USED IN) OPERATING ACTIVITIES		**77 038**	**28 696**	**59 823**	**77 131**	**136 861**	**105 827**
CASH FLOWS FROM INVESTING AND FINANCING ACTIVITIES							
Increase / (decrease) in amount due to United Nations agencies		71 592	(37 416)	4 642	-	76 234	(37 416)
Increase / (decrease) in interest receivable		5 631	(2 438)	-	22	5 631	(2 417)
Add: Interest income		29 167	9 822	14 721	7 811	43 888	17 633
NET CASH FROM INVESTING AND FINANCING ACTIVITIES		**106 390**	**(30 032)**	**19 363**	**7 833**	**125 753**	**(22 200)**
CASH FLOWS FROM OTHER ACTIVITIES							
Savings arising from liquidation of prior period obligations		2 671	2 627	-	-	2 671	2 627
Increase in operational reserve		2 551	12 539	-	-	2 551	12 539
Refunds to donors		-	-	(14 806)	(2 982)	(14 806)	(2 982)
Transfers - net (to) / from other funds		(3 669)	(13 591)	(872)	(1 261)	(4 541)	(14 852)
NET CASH FROM / (USED IN) OTHER ACTIVITIES		**1 553**	**1 575**	**(15 678)**	**(4 243)**	**(14 125)**	**(2 668)**
NET INCREASE / (DECREASE) IN CASH AND INVESTMENTS		**184 983**	**239**	**63 509**	**80 722**	**248 491**	**80 961**
CASH AND INVESTMENTS AS AT 1 JANUARY		**118 786**	**118 547**	**227 286**	**146 564**	**346 072**	**265 111**
CASH AND INVESTMENTS AS AT 31 DECEMBER		**303 768**	**118 786**	**290 794**	**227 286**	**594 562**	**346 072**

3.2 Other resources

(Thousands of United States dollars)

	Co-financing		Junior Professional Officers programme		Procurement services		Total other resources	
	2006-2007	2004-2005	2006-2007	2004-2005	2006-2007	2004-2005	2006-2007	2004-2005
CASH FLOWS FROM OPERATING ACTIVITIES								
Excess / (shortfall) of income over expenditure	78 363	47 489	868	2 364	6 301	2 836	85 532	52 690
(Increase) / decrease in contributions receivable	(88)	(88)	-	-	-	-	(88)	(88)
(Increase) / decrease in other accounts receivable	(8)	40	213	(208)	(1)	374	204	206
Decrease / (increase) in other assets	1 249	(4 183)	-	-	-	-	1 250	(4 183)
(Decrease) / increase in unliquidated obligations	(13 127)	33 037	(14)	19	(7 994)	(8 522)	(21 134)	24 534
Increase / (decrease) in other liabilities	7 103	11 228	(2)	(22)	1 680	579	8 780	11 785
Less: Interest income	(13 187)	(6 892)	(155)	(41)	(1 379)	(878)	(14 721)	(7 811)
NET CASH FROM / (USED IN) OPERATING ACTIVITIES	**60 306**	**80 631**	**910**	**2 112**	**(1 394)**	**(5 612)**	**59 823**	**77 131**
CASH FLOWS FROM INVESTING AND FINANCING ACTIVITIES								
Increase / (decrease) in amount due to United Nations agencies	31 154	-	(3 339)	-	(23 172)	-	4 642	-
(Increase) / decrease in interest receivable	-	22	-	-	-	-	-	22
Add: Interest income	13 187	6 892	155	41	1 379	878	14 721	7 811
NET CASH FROM INVESTING AND FINANCING ACTIVITIES	**44 341**	**6 914**	**(3 184)**	**41**	**(21 794)**	**878**	**19 363**	**7 833**
CASH FLOWS FROM OTHER ACTIVITIES								
Refunds to donors	(13 378)	(2 755)	-	-	(1 428)	(227)	(14 806)	(2 982)
Transfers - net (to) / from other funds	528	(297)	-	22	(1 400)	(986)	(872)	(1 261)
NET CASH (USED IN) / FROM OTHER ACTIVITIES	**(12 850)**	**(3 051)**	**-**	**22**	**(2 828)**	**(1 213)**	**(15 678)**	**(4 243)**
NET INCREASE / (DECREASE) IN CASH AND INVESTMENTS	**91 798**	**84 495**	**(2 274)**	**2 175**	**(26 017)**	**(5 948)**	**63 509**	**80 722**
CASH AND INVESTMENTS AS AT 1 JANUARY	**198 995**	**114 500**	**2 274**	**99**	**26 017**	**31 965**	**227 286**	**146 564**
CASH AND INVESTMENTS AS AT 31 DECEMBER	**290 794**	**198 995**	**-**	**2 274**	**-**	**26 017**	**290 794**	**227 286**

Statement 4
Regular resources — movements in reserves and fund balances for the biennium ended 31 December 2007
(Thousands of United States dollars)

		Programmable fund	After-service health insurance and staff benefits fund	Security requirements	Enterprise resource planning system	Regionalization	Procurement services	Total programmable fund balance	Operational reserve	Reserve for field accommodation	2006-2007 total reserves and fund balances	2004-2005 total reserves and fund balances
Balance as at 1 January		41 981	-	4 399	(192)	-	2 437	48 626	70 245	5 000	123 871	82 724
Net excess / (shortfall) of income over expenditure		111 088	1 705	(4 199)	(4 983)	294	-	103 905	-	(371)	103 534	38 471
Savings from prior period obligations		2 671	-	-	-	-	-	2 671	-	-	2 671	2 627
Pnor period staff related benefits	Note 24	-	(85 928)	-	-	-	-	(85 928)	-	-	(85 928)	-
Enterprise resource planning allocation	Note 12	(8 900)	-	-	8 900	-	-	-	-	-	-	-
Security reserve allocation	Note 20	(4 700)	-	4 700	-	-	-	-	-	-	-	-
Transfers within reserves												
To reserve for field accommodation	Note 18	(454)	-	-	-	-	-	(454)	-	371	(83)	-
To operational reserve	Note 19	(2 551)	-	-	-	-	-	(2 551)	2 551	-	-	-
To after-service health insurance reserves	Note 24	(52 000)	52 000	-	-	-	-	-	-	-	-	-
To reserve for regionalization	Notes 19, 27	(21 000)	-	-	-	21 000	-	-	-	-	-	-
Transfers within resources												
To other resources		(2 239)	-	-	-	-	-	(2 239)	-	-	(2 239)	(10)
From other resources		1 575	-	-	-	-	-	1 575	-	-	1 575	58
Other movements												
Earmarking	Note 20	(1 509)	-	-	-	-	1 509	-	-	-	-	-
BALANCE AS AT 31 DECEMBER	**Statements 1.1, 2.1**	**63 963**	**(32 223)**	**4 900**	**3 725**	**21 294**	**3 946**	**65 606**	**72 796**	**5 000**	**143 402**	**123 871**

Schedule 1
Regular resources — status of voluntary contributions for the biennium ended 31 December 2007

(Thousands of United States dollars)

Donor	Balance due to UNFPA at 1 January 2006	Adjustments for prior bienniums	Pledges for current biennium (contribution income 2006-2007)	Total contributions due	Movements in deferred income	Exchange gains/(losses)	Payments received	Balance due to UNFPA at 31 December 2007	Pledged for future years
Afghanistan	-	-	1	1	-	-	1	-	-
Albania	-	-	-	-	-	-	-	-	-
Algeria	-	-	20	20	-	-	20	-	-
Andorra	-	-	54	54	-	-	54	-	-
Angola	-	-	10	10	-	-	5	5	-
Antigua and Barbuda	-	-	2	2	-	-	2	-	4
Argentina	-	-	5	5	-	-	5	-	-
Armenia	-	-	2	2	-	-	2	-	-
Australia	-	-	6 496	6 496	-	(67)	6 429	-	-
Austria	-	-	2 131	2 131	-	-	2 131	-	-
Azerbaijan	-	-	7	7	-	-	3	3	7
Bahamas	1	(1)	3	2	-	-	2	1	-
Bahrain	-	-	13	13	-	-	13	-	-
Bangladesh	-	-	56	56	3	-	59	-	-
Barbados	-	-	9	9	(4)	-	5	-	-
Belarus	-	-	1	1	(1)	-	-	-	-
Belgium	-	-	7 498	7 498	-	433	7 931	-	-
Belize	3	-	7	7	-	-	10	-	15
Benin	4	-	9	9	-	-	13	-	-
Bhutan	6	-	11	11	-	-	11	6	-
Bolivia	12	(10)	4	(5)	-	-	7	-	-
Bosnia and Herzogovina	-	-	2	2	-	-	2	-	-
Botswana	-	-	8	8	-	-	4	5	-
Brazil	-	-	22	22	-	-	-	22	-
Bulgaria	-	-	4	4	-	-	4	-	-

Schedule 1
Regular resources — status of voluntary contributions for the biennium ended 31 December 2007

(Thousands of United States dollars)

Donor	Balance due to UNFPA at 1 January 2006	Adjustments for prior bienniums	Pledges for current biennium (contribution income 2006-2007)	Total contributions due	Movements in deferred income	Exchange gains/(losses)	Payments received	Balance due to UNFPA at 31 December 2007	Pledged for future years
Burkina Faso	-	-	4	4	(4)	-	-	-	-
Burundi	3	(2)	2	-	-	-	3	-	-
Cambodia	-	-	5	5	-	-	5	-	-
Cameroon	35	-	38	38	-	2	20	55	-
Canada	-	-	25 067	25 067	-	434	25 501	-	-
Cape Verde	14	(7)	2	(5)	2	-	12	-	2
Central African Republic	1	(1)	5	4	-	-	3	3	5
Chad	-	-	45	45	61	-	106	-	65
Chile	-	-	10	10	-	-	10	-	-
China	-	-	1 838	1 838	-	-	1 838	-	-
Colombia	-	-	80	80	(14)	-	66	-	-
Comoros	2	(1)	1	-	-	-	-	2	1
Congo	82	(48)	92	45	-	(1)	45	81	162
Cook Islands	1	(1)	2	-	-	-	1	1	2
Costa Rica	-	-	14	14	-	-	14	-	-
Côte d'Ivoire	41	(41)	20	(21)	-	-	-	20	30
Croatia	-	-	30	30	-	-	30	-	-
Cuba	5	-	10	10	-	-	10	5	-
Cyprus	-	-	8	8	-	-	6	2	-
Czech Republic	-	-	242	242	-	-	242	-	-
Democratic People's Republic of Korea	-	-	16	16	-	-	7	9	-
Democratic Republic of the Congo	8	(2)	10	8	-	-	-	16	-
Denmark	-	-	61 145	61 145	-	2 363	63 508	-	-
Djibouti	2	(1)	1	-	-	-	-	2	-

Schedule 1
Regular resources — status of voluntary contributions for the biennium ended 31 December 2007

(Thousands of United States dollars)

Donor	Balance due to UNFPA at 1 January 2006	Adjustments for prior bienniums	Pledges for current biennium (contribution income 2006-2007)	Total contributions due	Movements in deferred income	Exchange gains/(losses)	Payments received	Balance due to UNFPA at 31 December 2007	Pledged for future years
Dominica	-	-	-	-	-	-	-	-	-
Dominican Republic	-	-	22	22	-	-	12	10	-
Ecuador	-	-	4	4	-	-	2	2	6
Egypt	157	-	190	190	-	13	263	98	338
El Salvador	-	-	2	2	-	-	2	-	-
Equatorial Guinea	-	-	600	600	127	-	727	-	220
Eritrea	-	-	4	4	-	-	4	-	-
Estonia	-	-	48	48	23	-	71	-	-
Ethiopia	-	-	7	7	-	-	-	7	-
Fiji	-	-	3	3	-	-	3	-	-
Finland	-	-	37 455	37 455	-	287	37 742	-	-
France	380	(380)	5 671	5 291	-	-	5 671	-	-
Gabon	10	(10)	28	19	-	-	-	28	-
Gambia	-	-	19	19	-	1	19	-	-
Georgia	-	-	3	3	-	-	3	-	-
Germany	-	-	44 816	44 816	-	-	44 816	-	-
Ghana	38	(13)	25	13	-	-	25	25	-
Greece	-	-	20	20	-	-	20	-	-
Grenada	-	-	-	-	-	-	-	-	-
Guatemala	-	-	6	6	-	-	6	-	-
Guinea	4	-	12	12	-	-	8	8	-
Guinea-Bissau	-	-	-	-	-	-	-	-	-
Guyana	-	-	1	1	-	-	-	1	2
Haiti	5	-	15	15	-	-	20	-	30
Honduras	-	-	7	7	-	-	7	-	-

Schedule 1
Regular resources — status of voluntary contributions for the biennium ended 31 December 2007

(Thousands of United States dollars)

Donor	Balance due to UNFPA at 1 January 2006	Adjustments for prior bienniums	Pledges for current biennium (contribution income 2006-2007)	Total contributions due	Movements in deferred income	Exchange gains/(losses)	Payments received	Balance due to UNFPA at 31 December 2007	Pledged for future years
Hungary	-	-	10	10	-	-	10	-	-
Iceland	-	-	300	300	-	-	300	-	-
India	-	-	421	421	-	-	421	-	-
Indonesia	-	-	68	68	-	3	71	-	-
Iran, Islamic Republic of	-	-	110	110	-	-	50	60	-
Iraq	-	-	-	-	-	-	-	-	-
Ireland	-	-	9 985	9 985	-	-	9 985	-	-
Israel	-	-	20	20	-	-	15	5	-
Italy	-	-	3 923	3 923	5 900	97	9 920	-	-
Jamaica	-	-	2	2	(1)	-	1	-	-
Japan	-	-	66 514	66 514	-	-	66 514	-	-
Jordan	-	-	100	100	-	-	100	-	100
Kazakhstan	-	-	50	50	-	-	50	-	-
Kenya	-	-	20	20	-	-	20	-	30
Kiribati	-	-	-	-	-	-	-	-	-
Kuwait	-	-	20	20	-	-	20	-	-
Kyrgyzstan	-	-	1	1	-	-	1	-	-
Lao People's Democratic Republic	2	-	3	3	-	-	3	2	-
Latvia	-	-	1	1	-	-	1	-	-
Lebanon	-	-	4	4	(2)	-	-	2	-
Lesotho	9	-	5	5	-	-	9	5	-
Liberia	53	(3)	20	18	-	-	70	-	-
Liechtenstein	8	(8)	16	8	-	-	16	-	-
Luxembourg	-	-	3 073	3 073	-	11	3 084	-	-
Madagascar	2	-	16	16	-	-	1	16	-

Schedule 1
Regular resources — status of voluntary contributions for the biennium ended 31 December 2007

(Thousands of United States dollars)

Donor	Balance due to UNFPA at 1 January 2006	Adjustments for prior bienniums	Pledges for current biennium (contribution income 2006-2007)	Total contributions due	Movements in deferred income	Exchange gains/(losses)	Payments received	Balance due to UNFPA at 31 December 2007	Pledged for future years
Malawi	9	-	6	6	-	-	12	3	-
Malaysia	15	-	230	230	15	-	260	-	45
Maldives	5	-	10	10	-	-	15	-	-
Mali	12	(6)	13	8	-	-	-	20	-
Malta	-	-	2	2	-	-	2	-	-
Marshall Islands	8	(4)	4	-	-	-	6	2	-
Mauritania	3	-	4	4	2	-	9	-	-
Mauritius	-	-	7	7	-	-	7	-	-
Mexico	-	-	107	107	-	-	107	-	-
Micronesia, Federated States of	-	-	4	4	2	-	6	-	2
Moldova	-	-	-	-	-	-	-	-	-
Monaco	-	-	13	13	-	-	13	-	-
Mongolia	-	-	8	8	-	-	8	-	-
Montenegro	-	-	-	-	-	-	-	-	-
Morocco	10	-	980	980	-	-	980	10	-
Mozambique	-	-	4	4	-	-	4	-	-
Myanmar	-	-	-	-	-	-	-	-	-
Namibia	-	-	2	2	1	-	3	-	2
Nauru	1	(1)	-	(1)	-	-	-	-	-
Nepal	-	-	11	11	-	1	12	-	-
Netherlands	-	-	146 382	146 382	-	8 830	155 212	-	-
New Zealand	-	-	5 499	5 499	-	-	5 499	-	9 231
Nicaragua	4	-	9	9	-	-	13	-	-
Niger	-	-	15	15	-	1	6	10	40
Nigeria	-	-	62	62	249	-	312	-	249

Schedule 1
Regular resources — status of voluntary contributions for the biennium ended 31 December 2007

(Thousands of United States dollars)

Donor	Balance due to UNFPA at 1 January 2006	Adjustments for prior bienniums	Pledges for current biennium (contribution income 2006-2007)	Total contributions due	Movements in deferred income	Exchange gains/(losses)	Payments received	Balance due to UNFPA at 31 December 2007	Pledged for future years
Norway	-	-	91 651	91 651	-	7 868	99 519	-	-
Oman	26	-	52	52	-	-	52	26	-
Pakistan	500	-	1 007	1 007	-	-	1 507	-	-
Palau	-	-	-	-	-	-	-	-	-
Palestine, Occupied Territories	-	-	2	2	-	-	2	-	-
Panama	55	(55)	22	(33)	-	-	22	-	-
Papua New Guinea	-	-	7	7	-	-	7	-	7
Paraguay	-	-	-	-	-	-	-	-	-
Peru	2	-	4	4	-	-	-	6	-
Philippines	33	(6)	82	77	-	4	49	65	190
Poland	-	-	30	30	-	-	30	-	-
Portugal	-	-	300	300	-	-	300	-	-
Qatar	-	-	30	30	-	-	30	-	-
Republic of Korea	-	-	260	260	-	-	260	-	-
Romania	21	(21)	21	-	-	-	21	0	-
Russian Federation	-	-	600	600	-	-	600	-	-
Rwanda	-	-	-	-	-	-	-	1	-
Saint Kitts and Nevis	-	-	1	1	-	-	1	-	-
Saint Lucia	1	-	1	1	-	-	-	2	-
Saint Vincent and the Grenadines	-	-	-	-	-	-	-	-	-
Samoa	-	-	6	6	-	-	2	4	-
San Marino	-	-	2	2	-	-	2	-	-
Sao Tome and Principe	-	-	5	5	-	-	5	-	-
Saudi Arabia	-	-	900	900	-	-	400	500	-

Schedule 1
Regular resources — status of voluntary contributions for the biennium ended 31 December 2007

(Thousands of United States dollars)

Donor	Balance due to UNFPA at 1 January 2006	Adjustments for prior bienniums	Pledges for current biennium (contribution income 2006-2007)	Total contributions due	Movements in deferred income	Exchange gains/(losses)	Payments received	Balance due to UNFPA at 31 December 2007	Pledged for future years
Senegal	19	-	35	35	-	-	17	37	40
Serbia	-	(1)	1	-	-	-	-	-	-
Seychelles	3	-	5	5	-	-	6	2	-
Sierra Leone	33	(9)	21	12	-	-	-	45	-
Slovakia	-	-	13	13	-	-	13	-	-
Slovenia	-	-	20	20	10	-	30	-	-
Solomon Islands	-	-	-	-	-	-	-	-	-
Somalia	-	-	-	-	-	-	-	-	-
South Africa	-	-	47	47	-	-	47	-	-
Spain	718	-	17 466	17 466	-	396	18 580	-	-
Sri Lanka	18	-	36	36	-	-	54	-	54
Sudan	90	(30)	63	33	-	-	54	69	-
Suriname	1	-	3	3	-	-	3	1	6
Swaziland	30	-	20	20	-	-	50	-	-
Sweden	-	-	113 700	113 700	-	2 190	115 890	-	-
Switzerland	-	-	19 936	19 936	-	310	20 246	-	-
Syrian Arab Republic	3	(3)	13	10	-	-	13	-	30
Tajikistan	-	-	-	-	-	-	-	-	-
Thailand	-	-	192	192	4	-	196	-	-
The former Yugoslav Republic of Macedonia	2	(2)	2	-	-	-	-	2	10
Timor-Leste	1	(1)	1	1	-	-	1	-	-
Togo	3	(3)	12	9	-	1	13	-	13
Tokelau	-	-	-	-	-	-	-	-	-
Tonga	1	(1)	2	1	-	-	1	1	-
Trinidad and Tobago	-	-	10	10	-	-	10	-	10

Schedule 1
Regular resources — status of voluntary contributions for the biennium ended 31 December 2007

(Thousands of United States dollars)

Donor	Balance due to UNFPA at 1 January 2006	Adjustments for prior bienniums	Pledges for current biennium (contribution income 2006-2007)	Total contributions due	Movements in deferred income	Exchange gains/(losses)	Payments received	Balance due to UNFPA at 31 December 2007	Pledged for future years
Tunisia	-	-	40	40	-	-	40	-	-
Turkey	-	-	248	248	-	-	248	-	-
Turkmenistan	-	-	2	2	-	-	2	-	-
Tuvalu	3	-	6	6	-	-	3	6	12
Uganda	30	(20)	20	-	10	-	40	-	20
Ukraine	-	-	2	2	-	-	-	2	4
United Kingdom of Great Britain and Northern Ireland	-	-	73 562	73 562	-	4 484	78 047	-	-
United Republic of Tanzania	5	-	11	11	-	-	5	11	11
Uruguay	17	-	10	10	-	-	17	10	20
Uzbekistan	-	-	2	2	-	-	2	-	-
Vanuatu	2	(2)	2	-	2	-	4	-	2
Venezuela, Bolivarian Republic of	5	-	15	15	-	-	20	-	-
Viet Nam	-	-	9	9	-	-	9	-	-
Yemen	-	-	30	30	-	-	30	-	98
Zambia	-	-	8	8	-	-	8	-	16
Zimbabwe	-	-	1	1	-	-	1	-	-

Schedule 1
Regular resources — status of voluntary contributions for the biennium ended 31 December 2007

(Thousands of United States dollars)

Donor		Balance due to UNFPA at 1 January 2006	Adjustments for prior bienniums	Pledges for current biennium (contribution income 2006-2007)	Total contributions due	Movements in deferred income	Exchange gains/(losses)	Payments received	Balance due to UNFPA at 31 December 2007	Pledged for future years
PRIVATE										
Private contributions		-	-	764	764	-	-	764	-	-
Government local office costs	Note 11	-	-	(1 527)	(1 527)	-	-	(1 527)	-	-
SUBTOTAL		**2 574**	**(688)**	**751 861**	**751 167**	**6 385**	**27 663**	**786 449**	**1 341**	**11 134**
Private Endowment Trust	Note 4	-	-	33 745	33 745	-	-	33 745	-	-
TOTAL		**2 574**	**(688)**	**785 606**	**784 912**	**6 385**	**27 663**	**820 194**	**1 341**	**11 134**
				Statement 1.1			**Statement 1.1**			

Less: Adjustment for Unrealized Exchange Gains/(Loss)	**(43)**
Contribution Receivable at 31-Dec-07	**1 298**

Notes

This schedule gives a breakdown by country of contribution income and exchange gains/(losses) reported in statement 1.1. It also provides information on contributions receivable as at the end of the biennium.

Balances, adjustments, pledges for current year, payments and/or pledges for future years for less than $500 from Afghanistan, Albania, Bolivia, Cook Islands, Dominica, Grenada, Guinea-Bissau, Iraq, Kenya, Kiribati, Madagascar, Mauritania, Moldova, Myanmar, Oman, Palau, Papua New Guinea, Paraguay, Rwanda, Saint Kitts and Nevis, Saint Vincent and the Grenadines, Sao Tome and Principe, Solomon Islands, Somalia, Tajikistan, Tokelau, Uruguay, Zambia and Zimbabwe are rounded down to zero.

Schedule 2
Other income and expenditure for the biennium ended 31 December 2007

(Thousands of United States dollars)

		Regular resources		Other resources		Total resources	
		2006-2007	2004-2005	2006-2007	2004-2005	2006-2007	2004-2005
OTHER INCOME							
Miscellaneous income		2 485	1 227	413	94	2 898	1 321
Net currency revaluation adjustments and gains on exchange		478	7 101	-	478	478	7 579
Accounting adjustments in respect of closed projects		1 054	1 649	-	196	1 054	1 845
TOTAL OTHER INCOME		**4 017**	**9 978**	**413**	**768**	**4 430**	**10 746**
OTHER EXPENDITURE							
Hedging programme— premiums	Note 8	525	1 077	-	-	525	1 077
Net currency revaluation adjustments and losses on exchange		5 026	2 034	549	25	5 575	2 059
IPSAS project	Note 27	249	-	-	-	249	-
TOTAL OTHER EXPENDITURE		**5 800**	**3 111**	**549**	**25**	**6 349**	**3 136**

Note: This schedule provides a comparative breakdown of other income and expenditures for Regular and Other Resources during the biennia ended 2006- 2007 and 2004-2005.

Schedule 3
Regular resources — programme activities by region for the biennium ended 31 December 2007

(Thousands of United States dollars)

	2006-2007 programme activities	2004-2005 programme activities
SUB-SAHARAN AFRICA		
Angola	4 220	3 424
Benin	3 796	4 045
Botswana	1 732	1 516
Burkina Faso	3 506	3 606
Burundi	3 064	1 757
Cameroon	5 183	5 478
Cape Verde	1 985	1 278
Central African Republic	4 511	3 678
Chad	3 430	4 341
Comoros	964	748
Congo	2 614	1 473
Côte d'Ivoire	6 128	2 203
Democratic Republic of the Congo	10 745	10 176
Equatorial Guinea	2 334	2 061
Eritrea	2 060	2 165
Ethiopia	7 038	6 400
Gabon	687	364
Gambia	1 550	1 310
Ghana	3 455	4 947
Guinea	2 938	3 326
Guinea-Bissau	2 052	942
Kenya	5 690	6 238
Lesotho	1 347	462
Liberia	5 917	1 634
Madagascar	4 138	3 421
Malawi	4 183	4 090
Mali	3 981	3 305
Mauritania	4 138	3 312
Mauritius	244	50
Mozambique	6 820	6 775
Namibia	1 196	1 675
Niger	4 157	4 163
Nigeria	11 537	10 756
Rwanda	2 831	1 654
Sao Tome and Principe	843	705
Senegal	4 197	3 997
Seychelles	78	65
Sierra Leone	3 600	3 410
South Africa	1 688	853
Swaziland	1 364	1 050
Togo	2 231	1 917
Uganda	7 910	7 238
United Republic of Tanzania	6 278	6 416
Zambia	3 084	3 228
Zimbabwe	4 780	3 057
TOTAL COUNTRY PROJECTS	**166 223**	**144 728**
Regional projects	13 013	11 356
TOTAL	**179 236**	**156 084**

Schedule 3
Regular resources — programme activities by region for the biennium ended 31 December 2007

(Thousands of United States dollars)

	2006-2007 programme activities	2004-2005 programme activities
ASIA AND THE PACIFIC		
Afghanistan	8 368	4 532
Bangladesh	12 374	11 009
Bhutan	2 462	3 331
Cambodia	5 526	4 642
China	7 785	9 158
Democratic People's Republic of Korea	2 245	1 638
India	26 545	24 294
Indonesia	9 345	7 619
Islamic Republic of Iran	3 024	3 353
Lao People's Democratic Republic	3 005	2 366
Malaysia	985	440
Maldives	947	987
Mongolia	3 495	2 060
Myanmar	7 117	7 325
Nepal	7 730	6 927
Pacific multi islands[a]	4 141	2 767
Pakistan	13 374	12 739
Papua New Guinea	1 930	1 563
Philippines	9 178	8 740
Sri Lanka	3 159	1 814
Thailand	2 931	2 669
Timor-Leste	3 152	4 633
Viet Nam	7 786	10 681
TOTAL COUNTRY PROJECTS	**146 604**	**135 287**
Regional projects	7 578	6 184
TOTAL	**154 182**	**141 471**

Schedule 3
Regular resources — programme activities by region for the biennium ended 31 December 2007

(Thousands of United States dollars)

	2006-2007 programme activities	2004-2005 programme activities
ARAB STATES AND EUROPE		
Albania	645	643
Algeria	797	1 183
Armenia	827	1 057
Azerbaijan	1 457	1 165
Belarus	684	548
Bosnia and Herzegovina	872	573
Bulgaria	747	547
Djibouti	1 413	744
Egypt	5 270	4 165
Estonia	-	40
Georgia	1 182	991
Iraq	1 835	1 782
Jordan	1 415	745
Kazakhstan	1 147	1 218
Kosovo	510	480
Kyrgyzstan	1 134	1 133
Latvia	(2)	117
Lebanon	1 223	541
Lithuania	-	150
Moldova, Republic of	762	513
Montenegro[b]	7	-
Morocco	4 106	4 430
Occupied Palestine Territories	3 690	2 310
Oman	706	157
Poland	56	176
Romania	1 435	1 001
Russian Federation	1 299	1 275
Serbia (Serbia and Montenegro)[c]	211	-
Somalia	3 102	559
Sudan	10 524	8 341
Syrian Arab Republic	3 178	3 428
Tajikistan	1 355	1 389
The former Yugoslav Republic of Macedonia	137	11
Tunisia	706	910
Turkey	2 212	2 054
Turkmenistan	1 108	966
Ukraine	1 059	888
United Arab Emirates	-	4
Uzbekistan	1 830	1 558
Yemen	3 263	4 052
TOTAL COUNTRY PROJECTS	**61 901**	**51 843**
Regional projects	4 893	5 296
TOTAL	**66 794**	**57 139**

Schedule 3
Regular resources — programme activities by region for the biennium ended 31 December 2007

(Thousands of United States dollars)

	2006-2007 programme activities	2004-2005 programme activities
LATIN AMERICA AND THE CARIBBEAN		
Argentina	1 163	882
Bolivia	2 050	2 270
Brazil	1 755	1 315
Caribbean, English- and Dutch-speaking[d]	3 084	2 069
Chile	337	377
Colombia	1 943	1 477
Costa Rica	986	693
Cuba	1 237	1 508
Dominican Republic	1 692	1 564
Ecuador	1 747	2 004
El Salvador	1 540	1 244
Guatemala	1 397	1 294
Haiti	4 653	4 042
Honduras	2 609	2 463
Mexico	2 172	2 247
Nicaragua	3 038	2 760
Panama	1 058	1 068
Paraguay	1 824	1 815
Peru	2 892	2 793
Uruguay	1 326	790
Venezuela, Bolivarian Republic of	2 502	1 796
TOTAL COUNTRY PROJECTS	**41 005**	**36 471**
Regional projects	6 501	5 987
TOTAL	**47 506**	**42 458**
Interregional projects	71 642	59 134
TOTAL PROGRAMME ACTIVITIES	**519 360**	**456 286**

Note: This schedule provides a breakdown of expenditure on programme activities by region and by country during the bienniums 2006-2007 and 2004-2005.

[a] Figures for Pacific multi islands comprise several islands which, for reporting purposes, have been classified under one heading, including the Cook Islands, Fiji, Kiribati, the Marshall Islands, the Federated States of Micronesia, Nauru, Niue, Palau, Samoa, the Solomon Islands, Tokelau, Tonga, Tuvalu and Vanuatu.

[b] Montenegro declared itself independent from Serbia on 3 June 2006 and was accepted as a United Nations Member State in General Assembly resolution 60/264 on 28 June 2006.

[c] The membership of Serbia and Montenegro in the United Nations was continued by Serbia, following the declaration of independence of Montenegro. For presentational purposes, the expenditures reported for 2006 include those of Serbia and Montenegro for the first part of the year and of Serbia for the latter part of the year.

[d] Figures for English- and Dutch-speaking Caribbean comprise several countries and islands which, for reporting purposes, have been classified under one heading, including Anguilla, Antigua and Barbuda, the Bahamas, Barbados, Belize, Bermuda, the British Virgin Islands, the Cayman Islands, Dominica, Grenada, Guyana, Jamaica, Montserrat, Saint Kitts, Saint Lucia, Saint Vincent and the Grenadines, the Netherlands Antilles, Suriname, Trinidad and Tobago and the Turks and Caicos Islands.

Schedule 4
Regular resources — programme activities by region for the biennium ended 31 December 2007

(Thousands of United States dollars)

	2006-2007 allocations	2006-2007 Programme activities	Unspent allocations
REGION			
Sub-Saharan Africa	190 499	179 236	11 263
Asia and the Pacific	162 680	154 182	8 498
Arab States, Europe and Central Asia	69 494	66 794	2 700
Latin America and the Caribbean	48 269	47 506	763
Interregional	92 094	71 642	20 452
TOTAL PROGRAMME ACTIVITIES	**563 036**	**519 360**	**43 676**

Note: This schedule is a high-level summary of schedule 3 and compares expenditure against approved allocations (ceilings) during the period.

Schedule 5
Biennial support budget for the biennium ended 31 December 2007

(Thousands of United States dollars)

		Appropriations 2006-2007	Expenditure 2006-2007			Unencumbered balance
			Disbursements	Unliquidated obligations	Total	
Programme support						
Country offices		106 409	100 498	340	100 838	5 571
Headquarters		36 684	30 752	1 836	32 588	4 096
SUBTOTAL		**143 093**	**131 250**	**2 176**	**133 426**	**9 667**
Management and administration		65 940	60 694	3 985	64 679	1 261
GROSS APPROPRIATIONS AND EXPENDITURE		**209 033**	**191 944**	**6 161**	**198 105**	**10 928**
Credits to the biennial support budget	Note 11	(12 600)	(23 233)	-	(23 233)	10 633
NET APPROPRIATIONS AND EXPENDITURE		**196 433**	**168 711**	**6 161**	**174 872**	**21 561**

(Statement 1.1)

Note: This schedule provides a breakdown of gross biennial support budge expenditures and income, giving rise to net biennial support budget expenditures and unencumbered balance during the biennium.

Schedule 6
Co-financing — Income and expenditure and fund balances for the biennium ended 31 December 2007

(Thousands of United States dollars)

	Fund balances 1 January 2006	Contribution	Interest income	Other income and expenditure	Refund	Transfer and other adjustment	Total funds available	Programme activities	Fund balances 31 December 2007
TRUST FUNDS									
African Development Bank	-	674	12	5	-	-	692	387	305
Americans for UNFPA	986	482	43	(6)	(73)	-	1 433	1 114	319
Arab Gulf Programme for United Nations Development Organizations	126	338	16	(4)	(56)	-	420	315	104
Australia	703	2 668	83	7	-	(88)	3 373	2 138	1 235
Austria	264	1 059	42	2	-	-	1 367	378	989
Bahrain	-	60	1	-	-	-	61	-	61
Belgium	2 726	3 235	157	(6)	-	169	6 281	4 332	1 949
BP Exploration	-	50	-	-	-	-	51	-	51
Canada	4 322	19 820	920	9	-	-	25 072	15 603	9 467
Canadian Public Health	82	-	1	-	(73)	-	9	9	-
Central African Republic	-	90	2	-	-	-	92	9	83
China, People's Republic	697	-	10	(4)	(11)	-	693	693	-
CIDA/Kosovo	25	-	-	-	(25)	-	-	-	-
Colombia	53	839	12	2	-	-	906	601	305
Columbia University	1	845	11	1	-	-	857	1	856
Common Humanitarian Fund	-	7 353	162	(10)	-	-	7 504	5 610	1 895
Cyprus	-	30	1	-	-	(1)	30	30	-
Denmark	200	7 298	232	19	(140)	-	7 609	4 670	2 940
Dogus Cocuk	-	108	3	-	-	-	111	65	45
Egypt	452	31	21	-	-	-	503	211	292
Engender Health	66	320	12	(1)	-	1	399	368	30
European Commission	6 280	57 882	1 700	168	(25)	(5)	66 000	49 203	16 797
European Commission — Reproductive Health Initiative for Youth in Asia	2 841	4 015	67	(145)	-	-	6 778	8 159	(1 381)
Farm Invest Group	-	25	-	-	-	-	25	25	-
Finland	1 851	4 946	144	(1)	-	(9)	6 931	4 365	2 566
Ford Foundation	-	175	3	1	-	-	179	80	99
Foundation Orange	-	141	-	-	-	-	141	141	-
France	84	841	24	4	-	(89)	864	55	809
Germany	5 193	2 585	218	(52)	(355)	-	7 589	5 175	2 414
Germany/Kosovo 2	479	-	7	6	(69)	-	423	423	-
Germany/Kosovo 3	-	1 216	33	6	-	-	1 255	1 149	107
German Development Cooperation	-	28	1	-	-	-	28	6	22
Global Fund to Fight AIDS, Tuberculosis and Malaria	79	1 304	23	-	-	-	1 406	727	679
Global Opportunity Fund	-	87	2	-	-	-	89	85	4
Greece	-	48	1	-	-	-	50	49	1
Guatemala	394	-	-	-	-	(394)	-	-	-
International Bank for Reconstruction and Development	306	22 000	360	(4)	(327)	26	22 361	8 724	13 637

Schedule 6
Co-financing — Income and expenditure and fund balances for the biennium ended 31 December 2007

(Thousands of United States dollars)

	Fund balances 1 January 2006	Contribution	Interest income	Other income and expenditure	Refund	Transfer and other adjustment	Total funds available	Programme activities	Fund balances 31 December 2007
Ireland	226	1 473	58	6	-	-	1 762	1 499	263
Italy	353	2 447	30	1	-	-	2 831	540	2 291
Japanese Trust Fund for Inter-Country NGO and Parliamentary Activities	1 715	2 000	126	-	-	-	3 841	1 812	2 028
Japan	-	3 709	101	3	-	-	3 813	1 832	1 980
Japanese Organization for International Cooperation in Family Planning	1	-	-	-	-	(1)	-	-	-
Johnson & Johnson, Ltd	-	66	5	-	-	-	71	-	71
Kuwait	371	-	7	-	-	-	378	378	-
Lebanon	284	720	14	-	-	-	1 018	687	332
Levi Strauss	-	45	-	-	-	-	45	45	-
Liechtenstein	15	-	-	-	-	-	15	15	-
Luxembourg	2 591	16 645	541	(17)	-	(32)	19 728	9 115	10 613
MacArthur Foundation	252	150	22	-	-	-	423	188	235
Max Planck	-	130	-	(1)	-	-	129	129	-
Mexico	256	502	30	-	-	6	794	363	431
Monaco	-	53	1	-	-	-	53	49	5
Multi-Donor — Thematic Trust Fund for Maternal Health	-	2 950	12	-	-	-	2 962	-	2 962
Multi-Donor — Thematic Trust Fund for Obstetric Fistula	346	9 187	197	(5)	-	81	9 806	2 627	7 179
Multi-Donor — Office of Results-Based Management	54	-	4	-	-	-	59	19	40
Multi-Donor — Thematic Trust Fund for Reproductive Health Commodity Security	22 907	26 841	1 480	(257)	-	(737)	50 234	34 345	15 889
Multi-Donor — Thematic Trust Fund for Tsunami	5 108	-	153	5	-	-	5 266	4 695	570
Multi-Donor — Afghanistan	-	21 504	832	-	-	-	22 336	4 496	17 840
Multi-Donor — Armenia	-	68	3	4	-	15	90	84	7
Multi-Donor — Azerbaijan	-	40	1	-	-	10	51	28	23
Multi-Donor — Bangladesh	-	717	21	-	-	-	737	147	591
Multi-Donor — Burkina Faso	159	876	32	(3)	-	451	1 515	982	533
Multi-Donor — Ecuador	-	141	1	-	-	31	173	157	16
Multi-Donor — Egypt	-	149	2	1	-	80	232	119	113
Multi-Donor — Eritrea	160	234	11	-	-	-	405	376	29
Multi-Donor — Female Genital Mutilation/ Cutting	-	2 098	8	-	-	-	2 106	-	2 106
Multi-Donor — Georgia	10	26	2	-	-	36	74	71	3
Multi-Donor — Guinea-Bissau	-	346	3	-	-	-	348	-	348
Multi-Donor — Honduras	13	117	1	-	-	-	131	129	2
Multi-Donor — Humanitarian Pool	-	1	-	-	-	-	1	-	1
Multi-Donor — Kazakhstan	-	10	-	-	-	21	31	31	-
Multi-Donor — Morocco	-	408	7	1	-	-	416	309	107
Multi-Donor — Philippines	-	93	3	4	-	-	100	15	85

Schedule 6
Co-financing — Income and expenditure and fund balances for the biennium ended 31 December 2007

(Thousands of United States dollars)

	Fund balances 1 January 2006	Contribution	Interest income	Other income and expenditure	Refund	Transfer and other adjustment	Total funds available	Programme activities	Fund balances 31 December 2007
Multi-Donor — Turkey	68	1 007	30	(7)	-	157	1 255	950	305
Multi-Donor — Venezuela	62	53	1	-	-	-	116	85	30
Multi-Donor — Zimbabwe	152	-	8	(20)	-	-	140	79	61
Multi-Donor — Afghanistan Joint Programme	-	40	2	-	-	-	42	-	42
Multi-Donor —Venezuela	-	42	1	-	-	-	43	31	12
Netherlands	7 502	6 843	156	(9)	(3 159)	35	11 368	6 803	4 566
New Zealand	860	3 743	207	6	-	(33)	4 783	2 911	1 872
Nigeria	755	921	91	(2)	-	-	1 764	1 077	687
Norwegian Agency for Development Cooperation (NORAD)	1 188	223	17	37	(66)	(512)	887	600	287
NORAD/Malawi	1 031	511	21	(3)	(37)	(25)	1 498	1 412	87
Norway	1 179	10 543	189	31	(23)	531	12 450	7 509	4 940
Office for the Coordination of Humanitarian Affairs	1 872	10 626	188	(3)	(106)	1	12 578	10 707	1 871
The Humanitarian Coordinator	-	5 199	31	-	-	-	5 230	3 773	1 458
Oman	193	-	17	-	-	-	210	4	206
United Nations Operation in Côte d'Ivoire	-	40	-	-	-	-	40	-	40
Organization of Petroleum Exporting Countries	1 273	1 000	16	15	(92)	-	2 213	2 154	59
Packard Foundation	-	200	14	-	-	-	214	70	144
Panama	-	149	3	-	-	-	151	132	19
Partners in Population	1	-	-	-	-	(1)	-	-	-
Peacebuilding Fund	-	4 000	80	-	-	-	4 080	246	3 834
Peru	(39)	-	-	-	-	39	-	-	-
Qatar	-	30	-	-	-	(30)	-	-	-
Republic of Korea	50	200	6	-	-	-	256	202	54
Romania	-	147	1	-	-	-	148	-	148
Saudi Arabia	209	100	20	-	-	-	328	96	232
Shell Foundation	2	-	-	-	-	(2)	-	-	-
Spain	776	13 191	298	17	-	-	14 282	3 528	10 754
Sweden	8 826	15 212	556	3	(747)	-	23 850	17 997	5 853
Switzerland	91	989	24	-	(49)	-	1 055	464	591
Syrian Arab Republic	677	1 905	49	6	(94)	-	2 543	2 158	385
Ukraine	-	763	6	-	-	-	769	110	659
Department of Economic and Social Affairs	-	40	-	-	-	-	40	40	-
United Nations Trust Fund for Human Security	2 931	2 324	291	(15)	-	(8)	5 523	3 080	2 443
UNDG Iraq Trust Fund	6 285	-	276	(51)	(373)	-	6 138	3 233	2 905
UNDP	90	582	15	22	(64)	-	645	378	267
UNICEF	-	336	8	(1)	-	-	343	142	202
UNIFEM	-	31	-	-	-	-	31	31	-

Schedule 6
Co-financing — Income and expenditure and fund balances for the biennium ended 31 December 2007

(Thousands of United States dollars)

	Fund balances 1 January 2006	Contribution	Interest income	Other income and expenditure	Refund	Transfer and other adjustment	Total funds available	Programme activities	Fund balances 31 December 2007
United Kingdom Trust Fund for Reproductive Health Commodities Security Programme	72	-	12	-	(40)	(725)	(682)	(711)	30
United Kingdom of Great Britain and Northern Ireland	10								
UNAIDS	755	28 864	1 008	155	(5 359)	(11)	35 412	24 894	10 519
United Nations Fund for International Partnerships	224	20 897	901	4	(11)	88	22 104	16 913	5 191
United States Agency for International Development	3 429	4 117	157	(2)	(1 230)	(57)	6 414	5 077	1 337
Virgin Unite	-	-	-	-	-	-	-	-	-
WHO	-	247	6	-	-	-	253	82	171
Yapi Kredi Bank Turkey	-	89	1	-	-	-	90	41	48
Yemen	-	41	-	-	-	-	41	-	41
TRUST FUNDS	343	-	-	-	-	(343)	-	-	-
	113 888	**369 582**	**12 738**	**(77)**	**(12 604)**	**(1 326)**	**482 202**	**296 480**	**185 724**
COST-SHARING									
African Development Fund	184	3 575	-	6	-	(9)	3 755	3 755	-
Algeria	205	153	-	(6)	-	(7)	346	282	64
Americans for UNFPA	272	156	-	-	-	(4)	424	64	360
Asian Forum of Parliamentarians on Population and Development	66	-	-	-	-	(1)	65	49	17
Australia	38	-	-	-	(35)	(4)	(1)	(1)	-
Austria	5	-	-	1	-	-	5	1	5
Belgium	197	-	-	-	-	(197)	-	-	-
Bolivia	14	-	-	-	-	-	14	-	14
Botswana	131	212	-	-	-	(2)	340	321	18
Brazil	782	1 059	-	(1)	-	(23)	1 818	789	1 029
Cameroon	-	992	30	19	-	-	1 041	858	183
Canada	632	8	5	1	(39)	(58)	549	467	83
Checchi	40	10	-	-	-	(1)	50	50	-
Chile	8	5	-	-	-	-	13	12	2
Colombia	23	1 376	1	(2)	(6)	(6)	1 386	1 358	29
Columbia University	(3)	53	-	-	-	-	50	50	-
Denmark	183	1 125	-	(23)	(71)	(13)	1 201	1 039	163
Dominican Republic	-	133	-	-	-	-	133	133	-
Economic Commission for Latin America and the Caribbean	15	-	-	-	-	-	15	-	15
Equatorial Guinea	57	147	1	3	-	(1)	208	197	11
European Commission	-	-	-	-	-	-	-	-	-
Femap	5	-	-	-	-	(1)	4	1	3
Gabon	87	-	-	(2)	-	87	172	159	12
Georgia	-	387	2	-	-	-	389	387	2
Germany	-	-	-	-	-	-	-	-	-

Schedule 6
Co-financing — Income and expenditure and fund balances for the biennium ended 31 December 2007

(Thousands of United States dollars)

	Fund balances 1 January 2006	Contribution	Interest income	Other income and expenditure	Refund	Transfer and other adjustment	Total funds available	Programme activities	Fund balances 31 December 2007
Guatemala	891	862	22	1	-	376	2 152	834	1 319
International Bank for Reconstruction and Development	103	158	-	-	-	(3)	258	63	195
Ireland	20	-	-	-	-	(1)	20	-	20
Italy	365	-	-	-	-	(9)	356	-	356
Japanese Trust Fund for Intercountry NGO and Parliamentary Activities	(8)	-	-	-	-	8	-	-	-
Kazakhstan	-	29	-	-	-	-	29	29	-
King Baudouin Foundation	362	-	-	-	-	28	391	391	-
Liberia	-	30	-	-	-	-	30	30	-
Luxembourg	1 805	3 288	-	(1)	-	(42)	5 050	3 810	1 240
Malaysia	200	200	-	-	-	(400)	-	-	-
Mexico	770	1 070	43	(1)	(34)	(24)	1 823	1 201	622
Morocco	230	1 440	-	13	-	(14)	1 669	1 342	327
Multi-Donor — Armenia	(3)	-	-	8	-	(1)	4	4	-
Multi-Donor — Eritrea	10	117	-	(20)	-	(3)	104	104	-
Netherlands	3 133	2 750	-	(66)	(401)	(201)	5 215	2 690	2 526
New Zealand	591	649	1	1	-	10	1 252	940	312
Nigeria, Virgin Unite	5	-	-	-	-	(1)	4	-	4
NORAD	33	-	-	(21)	(27)	(4)	(19)	(56)	37
Operation USA	1	-	-	-	-	(1)	-	-	-
Oxfam	7	207	3	1	-	-	217	162	56
Packard Foundation	51	-	-	-	-	(1)	50	-	50
Paraguay	45	808	7	-	-	(1)	858	254	604
Partners in Population	12	-	-	-	(12)	-	-	-	-
Peru	2 536	22 497	169	(7)	-	(158)	25 037	22 123	2 914
Private Contribution Fistula	2	-	-	-	-	(2)	-	-	-
Sao Tome	55	44	-	-	-	(1)	98	35	63
Sweden	29	-	-	-	-	(3)	26	(14)	40
Switzerland	89	-	-	-	(3)	(8)	78	(17)	95
Tunisia	14	38	-	-	-	(1)	51	51	-
UNDP	365	538	-	(5)	(24)	(10)	863	815	48
UNICEF	84	-	-	-	-	(2)	81	-	81
UNIFEM	4	-	-	-	(4)	-	-	-	-
United Kingdom of Great Britain and Northern Ireland	444	137	-	(10)	(51)	(15)	506	438	68
UNAIDS	8 608	412	2	(12)	-	(379)	8 632	6 148	2 484
Uruguay	-	548	2	(4)	-	-	546	462	85
USAID	807	-	-	-	(67)	(740)	-	-	-
Venezuela, Bolivarian Republic of	-	2 016	-	(57)	-	-	1 959	1 959	-
Yemen	263	-	26	-	-	336	624	112	513
COST-SHARING	**24 861**	**47 231**	**315**	**(185)**	**(774)**	**(1 505)**	**69 943**	**53 876**	**16 069**

Schedule 6
Co-financing — Income and expenditure and fund balances for the biennium ended 31 December 2007

(Thousands of United States dollars)

		Fund balances 1 January 2006	Contribution	Interest income	Other income and expenditure	Refund	Transfer and other adjustment	Total funds available	Programme activities	Fund balances 31 December 2007
OTHER TRUST FUNDS										
Global Contraceptive Commodity Programme	Note 21	4 709	249	-	337	-	116	5 410	(883)	6 295
Population Award		744	-	40	-	-	1 032	1 817	39	1 778
Rafael M. Salas Endowment Fund		1 052	-	93	-	-	(27)	1 118	57	1 062
United Nations Foundation Support Office		280	104	-	-	-	44	428	344	84
Cooperation with Oman		-	681	-	-	-	-	681	637	44
OTHER TRUST FUNDS		**6 785**	**1 033**	**134**	**337**	**-**	**1 165**	**9 456**	**194**	**9 263**
TOTAL		**145 538**	**417 846**	**13 187**	**75**	**(13 378)**	**(1 665)**	**561 604**	**350 549**	**211 055**

Expiration dates	**2007 and earlier**[a]	**2008**	**2009**	**2010**	**2011**	**2012**	**Open**	**Total**
(Thousands of United States dollars)	21 175	92 213	27 181	18 198	19 927	1 141	31 220	211 055
(Percentage)	10.03	43.69	12.88	8.62	9.44	0.54	14.79	100

Note: This schedule provides a breakdown of income, expenditure and movements in fund balances by individual trust funds. This schedule is linked to statement 1.2 under co-financing.

[a] These balances will be either reprogrammed or refunded to donors based on consultations held with them.

Schedule 7

Procurement services — Income and expenditure and fund balances for the biennium ended 31 December 2007

(Thousands of United States dollars)

	Fund balances 1 January 2006	Contributions	Interest income	Other income and expenditure	Refunds	Transfers and other adjustments	Total funds available	Programme activities	Fund balances 31 December 2007
GOVERNMENTS									
Canadian International Development Agency — Bangladesh	102	12 862	283	-	-	(285)	12 962	9 129	3 833
United Kingdom Department for International Development (DFID) — Bolivia	116	-	-	-	-	(117)	(1)	-	(1)
DFID — Pakistan	605	8 214	21	(22)	-	-	8 818	8 424	394
DFID — Zambia	(36)	-	-	-	-	(17)	(53)	(53)	-
DFID — Zimbabwe	-	1 363	1	-	-	-	1 364	1 340	24
KFW — Albania	1	-	-	-	-	(1)	-	-	-
KFW — Bangladesh	111	-	5	-	-	-	116	-	116
KFW — Burundi	1	-	-	-	-	(1)	-	-	-
KFW — Guinea	36	-	4	-	-	-	40	-	40
KFW — Yemen	7	-	-	-	-	(7)	-	-	-
Swedish International Development Agency (SIDA) — Cape Verde	109	127	3	-	-	-	239	210	29
SIDA — Djibouti	(2)	74	-	-	-	-	72	72	-
United States Agency for International Development — Sierra Leone	57	-	-	-	-	(56)	1	-	1
Albania	14	27	2	-	-	-	43	14	29
Algeria	157	-	1	-	-	(157)	-	-	-
Benin	-	203	1	(1)	-	(4)	200	88	112
Brazil	103	-	-	-	-	17	120	120	-
Burundi	78	-	-	-	-	(78)	-	-	-
Dominican Republic	377	581	18	(2)	-	-	975	832	142
Ecuador	-	1 000	8	-	-	-	1 008	-	1 008
Egypt	515	-	27	-	(516)	-	26	(59)	85
El Salvador	118	859	19	(20)	-	-	976	829	147
Ethiopia	-	295	2	-	-	-	297	276	21
Fiji	(3)	179	3	(2)	-	-	177	161	16
Gambia	18	54	3	-	-	-	75	51	24
Ghana	-	984	10	(3)	-	(44)	947	941	6
Guyana	-	129	2	-	-	-	130	125	5
India	-	393	-	11	-	-	404	411	(7)
Jamaica	105	271	6	-	-	-	382	366	16
Kazakhstan	2	-	1	-	-	-	3	(6)	8
Lao People's Democratic Republic	5	5	-	-	-	-	10	5	5
Lesotho	-	300	6	-	-	-	306	282	23
Moldova	-	150	2	-	-	-	152	76	75
Pakistan	2 364	15 263	313	(14)	-	-	17 926	15 676	2 250

Schedule 7
Procurement services — Income and expenditure and fund balances for the biennium ended 31 December 2007

(Thousands of United States dollars)

	Fund balances 1 January 2006	Contributions	Interest income	Other income and expenditure	Refunds	Transfers and other adjustments	Total funds available	Programme activities	Fund balances 31 December 2007
Panama — Ministry of Health	-	72	1	-	-	-	72	68	4
Sao Tome and Principe	-	31	-	-	-	-	31	30	1
Sri Lanka	70	-	-	-	-	(70)	-	-	-
Uganda	1	-	-	-	-	(1)	-	-	-
United Republic of Tanzania	529	-	31	-	-	-	560	266	294
Uruguay	80	-	3	(1)	-	-	83	83	-
GOVERNMENTS	**5 640**	**43 436**	**774**	**(53)**	**(516)**	**(821)**	**48 460**	**39 759**	**8 701**
UNITED NATIONS AGENCIES									
Inter-Agency Procurement Services Organization	(29)	363	-	1	-	-	335	333	2
United Nations missions	(23)	231	2	(1)	-	(44)	166	261	(96)
United Nations Office at Vienna	-	-	-	-	-	1	1	1	-
UNAIDS	(34)	10	-	-	-	35	11	10	1
UNDP	(118)	1 679	14	-	(75)	207	1 707	1 460	246
UNDP — tropical disease	4	-	-	-	-	(5)	(1)	-	(1)
UNHCR	37	232	4	-	-	-	273	132	142
UNICEF	59	313	3	-	-	-	375	498	(122)
WFP	-	1	-	-	-	-	1	1	-
WHO	(193)	332	6	-	(59)	(126)	(40)	320	(361)
UNITED NATIONS AGENCIES	**(296)**	**3 160**	**29**	**-**	**(134)**	**68**	**2 973**	**3 092**	**(189)**
INTERGOVERNMENTAL INSTITUTIONS									
World Bank — Bangladesh	498	258	66	(1)	(285)	394	930	212	718
World Bank — Benin	28	-	-	-	-	(27)	1	-	1
World Bank — Brazil	586	171	52	-	-	-	809	737	72
World Bank — Burkina Faso	21	-	-	-	-	(21)	-	-	-
World Bank — Chad	38	-	-	-	-	(38)	-	-	-
World Bank — Congo	346	287	10	(16)	-	-	627	556	71
World bank — Ethiopia	-	11 496	148	(60)	-	-	11 583	11 315	268
World Bank — Gambia	164	-	-	-	-	(163)	1	-	1
World Bank — Ghana	560	-	102	-	-	57	719	(13)	732
World Bank — Haiti	42	-	-	-	-	(42)	-	-	-
World Bank — Iran (Islamic Republic of)	1	-	-	-	-	(1)	-	-	-
World Bank — Côte d'Ivoire	110	-	-	-	-	-	110	-	110
World Bank — Madagascar	27	1 303	36	2	(361)	-	1 006	930	76
World Bank — Mauritania	39	-	-	-	-	(39)	-	-	-
World Bank — Niger	70	-	-	-	-	(70)	-	-	-
World Bank — Niger	16	-	-	(1)	-	-	15	63	(48)
World Bank — Romania	13	-	-	-	-	(14)	(1)	-	(1)
World Bank — Sao Tome	22	37	1	-	-	-	60	33	27
World Bank — Sri Lanka	(178)	-	-	-	-	191	13	-	13

Schedule 7

Procurement services — Income and expenditure and fund balances for the biennium ended 31 December 2007

(Thousands of United States dollars)

	Fund balances 1 January 2006	Contributions	Interest income	Other income and expenditure	Refunds	Transfers and other adjustments	Total funds available	Programme activities	Fund balances 31 December 2007
World Bank — Ukraine	-	1 218	10	-	-	-	1 228	26	1 202
World Bank — Yemen	54	2 500	10	(61)	-	(54)	2 449	2 492	(43)
European Commission — Tunisia	45	-	2	-	-	(47)	-	-	-
Global Fund — Bolivia	-	34	-	-	-	-	34	35	(1)
Global Fund — Colombia	1	59	1	-	-	-	61	55	7
Global Fund — Côte d'Ivoire	6	-	1	-	-	-	7	1	6
Global Fund — El Salvador	-	-	-	-	-	-	-	(4)	4
Global Fund — Equatorial Guinea	3	17	-	-	-	-	20	17	3
Global Fund — Guinea-Bissau	-	15	-	-	-	-	15	9	6
Global Fund — Honduras	9	-	-	-	-	(9)	-	-	-
Global Fund — Mongolia	37	154	5	-	-	-	196	152	44
Global Fund — Sudan	-	27	-	-	-	-	27	15	12
Global Fund — Tajikistan	(15)	246	2	-	-	42	275	273	2
International Organization for Migration — Zimbabwe	-	36	-	-	-	-	36	38	(1)
Pan American Health Organization	1	-	-	-	-	(2)	(1)	-	(1)
INTERGOVERNMENTAL INSTITUTIONS	**2 544**	**17 859**	**445**	**(137)**	**(646)**	**157**	**20 222**	**16 942**	**3 280**
NGOs				-		-			
Asociacion Hondurena mujer	-	152	4	-	(95)	-	61	28	33
Doctors of the World	-	2	-	-	-	-	2	2	-
Engenderhealth	1	-	-	-	-	(2)	(1)	-	(1)
International Committee of the Red Cross	-	12	-	-	-	-	12	13	(1)
International Rescue Committee	(3)	50	-	-	-	2	48	50	(2)
Marie Stopes International	10	14	1	-	-	-	24	11	13
Médecins du Monde	-	16	-	-	-	-	16	16	-
Population Services International	52	574	5	-	(27)	(21)	583	566	17
Programme for Appropriate Technology for Health — in the United States	-	71	2	-	-	-	73	38	34
Red Crescent Societies	-	10	-	-	-	-	10	10	-
World Vision	7	-	-	-	(11)	-	(4)	(5)	1
Other				-		-			
Ami Foundation — Guinea-Bissau	7	-	-	-	-	-	7	7	-
DKT — Ethiopia	46	4 108	56	(16)	-	-	4 195	4 074	120
IDDI — Dominican Republic	7	-	-	-	-	-	7	7	-
IMC — Azerbaijan	4	-	-	-	-	(4)	-	-	-
Indiana Religious Coalition for Reproductive Choice — Mozambique	-	9	-	-	-	-	9	9	-
MEXFAM — Mexican Foundation for Family Planning	-	10	-	-	-	-	10	9	1
Mums for Mums — Ethiopia	-	3	-	-	-	-	3	3	-
NICASALUD — Nicaragua	1	-	-	-	-	(2)	(1)	(1)	(0)

Schedule 7

Procurement services — Income and expenditure and fund balances for the biennium ended 31 December 2007

(Thousands of United States dollars)

	Fund balances 1 January 2006	Contributions	Interest income	Other income and expenditure	Refunds	Transfers and other adjustments	Total funds available	Programme activities	Fund balances 31 December 2007
Projet plurisectoriel de lutte contre le VIH/SIDA — Benin	32	-	4	-	-	-	36	3	33
Projet plurisectoriel de lutte contre le VIH/SIDA II — Association pour le marketing social au Tchad — Chad	329	-	11	-	-	-	340	249	92
Reproductive Health Association of Cambodia	(2)	7	-	-	-	-	5	4	1
NGOs	**492**	**5 037**	**84**	**(16)**	**(132)**	**(26)**	**5 437**	**5 094**	**341**
Reinspection of factories	3	-	-	-	-	(3)	-	-	6
SUBTOTAL	**8 383**	**69 493**	**1 333**	**(206)**	**(1 428)**	**(624)**	**76 946**	**64 811**	**12 141**
Procurement services — third party	-	3 674	-	(1)	-	(1 509)	2 164	2 164	-
Procurement services — Denmark	698	40	46	(1)	-	(46)	737	321	416
TOTAL PROCUREMENT SERVICES	**9 084**	**73 207**	**1 379**	**(208)**	**(1 428)**	**(2 181)**	**79 853**	**67 296**	**12 556**

Note: This schedule provides a breakdown of income, expenditures and movements in fund balances by individual third party procurement contracts. This schedule is linked to statement 1.2 under procurement.

Schedule 8
Investments for the biennium ended 31 December 2007

(Thousands of United States dollars)

		Regular resources		Other resources		Total	
		2007	2005	2007	2005	2007	2005
By security type:							
Money market funds		5 700	1 465	22 801	13 182	28 501	14 647
Time deposits		68 994	13 500	206 983	121 500	275 977	135 000
Bonds and certificates of deposit		228 261	98 607	61 003	92 334	289 264	190 941
TOTAL	Note 13	**302 955**	**113 572**	**290 787**	**227 016**	**593 742**	**340 588**
By fund/reserve:							
Operational reserve		72 796	70 245	-	-	72 796	70 245
Reserve for field accommodation		5 000	5 000	-	-	5 000	5 000
Regular resources and other resources		225 159	38 327	290 787	227 016	515 946	265 343
TOTAL	Note 13	**302 955**	**113 572**	**290 787**	**227 016**	**593 742**	**340 588**

Note: This schedule provides a distribution of investments between regular resources and other resources by type of investment.

Notes to the financial statements

Note 1
Mission statement

The United Nations Population Fund is an international development agency that promotes the right of every woman, man and child to enjoy a life of health and equal opportunity. It supports countries in using population data for policies and programmes to reduce poverty and to ensure that every pregnancy is wanted, every birth is safe, every young person is free of HIV/AIDS and every girl and woman is treated with dignity and respect.

Organizational objectives

The three main areas of work of UNFPA are to help ensure universal access to reproductive health, including family planning and sexual health, to all couples and individuals by 2015; to support population and development strategies that enable capacity-building in population programming; to promote awareness of population and development issues and to advocate for the mobilization of the resources and political will necessary to accomplish its work.

UNFPA is guided by and promotes the principles of the Programme of Action of the International Conference on Population and Development (1994). In particular, UNFPA affirms its commitment to reproductive rights, gender equality and male responsibility and to the autonomy and empowerment of women everywhere. UNFPA believes that safeguarding and promoting those rights and promoting the well-being of children, especially the girl child, are development goals in themselves. All couples and individuals have the right to decide freely and responsibly the number and spacing of their children, as well as the right to the information and means to do so.

UNFPA is convinced that meeting these goals will contribute to improving the quality of life and to the universally accepted aim of stabilizing world population. UNFPA also believes that these goals are an integral part of all efforts to achieve sustained and sustainable social and economic development that meets human needs, ensures well-being and protects the natural resources on which all life depends.

UNFPA recognizes that all human rights, including the right to development, are universal, indivisible, interdependent and interrelated, as expressed in the Programme of Action of the International Conference on Population and Development, the Vienna Declaration and Programme of Action adopted by the World Conference on Human Rights, the Convention on the Elimination of All Forms of Discrimination against Women, the Programme of Action of the World Summit for Social Development, the Platform for Action of the Fourth World Conference on Women and in other internationally agreed instruments.

UNFPA, as the lead United Nations organization for the follow-up and implementation of the Programme of Action of the International Conference on Population and Development, is fully committed to working in partnership with Governments, all parts of the United Nations system and civil society, as well as non-governmental organizations.

UNFPA supports efforts to ensure a coherent, coordinated United Nations field presence under the leadership of a strengthened regional coordinator in a collegial and participatory system. UNFPA plays an active and leading role in the inter-agency processes to facilitate progress towards the achievement of United Nations reform goals for greater development impact.

UNFPA will assist in the mobilization of resources from both developed and developing countries, following the commitments made by all countries in the Programme of Action to ensure that the goals of the International Conference on Population and Development are met.

Reaching the goals of the Programme of Action is also essential for achieving the Millennium Development Goals. These eight goals, which are fully aligned with the International Conference on Population and Development road map, have the overarching aim of reducing extreme poverty by half by 2015. UNFPA brings its special expertise in reproductive health and population issues to the worldwide collaborative effort of meeting the Millennium Development Goals. UNFPA, working in multiple partnerships, supports gender-sensitive policies and programmes to achieve the Millennium Development Goals. These partnerships are customized to national and local circumstances and take into account cultural diversity.

Note 2
Summary of significant accounting policies

The financial statements reflect the application of the following significant accounting policies:

(a) Accounting convention

These financial statements have been prepared in accordance with the financial regulations and rules of UNFPA and the United Nations system accounting standards (revision VIII).

(b) Financial period

The period covered by the financial statements is a biennium covering the two years ended 31 December 2007.

(c) Unit of account

The unit of account used in the financial statements is the United States dollar. Where transactions have been made in other currencies, the equivalent in United States dollars is established using the United Nations operational rate of exchange.

The amounts in the statements and schedules are rounded to the nearest thousand dollars and in the notes to the nearest million or thousand dollars, as indicated.

(d) Income

All income is recorded on an accrual basis except for contributions to "other resources", which are recorded on a cash basis.

(e) Expenditure

All expenditure except for that recorded under programme activities implemented by Governments and non-governmental organizations (NGOs) is accounted for on an accrual basis and includes unliquidated obligations in respect of goods and services budgeted and contracted for by 31 December 2007. Expenditure recorded under programme activities implemented by Governments and by NGOs is accounted for on the basis of actual disbursement made by them.

Included under programme activities are:

- The indirect costs incurred by and paid to United Nations agencies, intergovernmental institutions and NGOs in relation to the implementation of UNFPA-funded projects
- The indirect costs charged by UNFPA in relation to the management of projects

The indirect cost-recovery policy consists of a rate of 5 per cent on nationally executed cost-sharing expenditures financed by programme countries, 7 per cent on all other co-financed expenditures and 5 per cent for third-party procurement expenditures.

(f) Exchange rates

Contribution income is recorded net of the exchange gains and losses resulting from the pledge and receipt of voluntary contributions. All monetary assets held in currencies other than the United States dollar were revalued using the United Nations operational rate of exchange in effect as at 1 January 2008.

Revaluation adjustments and exchange gains and losses arising from transactions other than contributions are recorded as other income or other expenditure.

(g) Investments and hedges

All investments are recorded at amortized cost, which approximates market value. In accordance with the United Nations system accounting standards, both the market value and the amortized cost are disclosed.

All securities held as investments are purchased with the intent to hold them to maturity. However, such securities may be sold in cases where there is a liquidity need or unexpected credit risk or where it is otherwise in the best interests of overall investment management.

These securities which can potentially subject any organization to concentrations of credit risk consist primarily of bonds and certificates of deposit. Investments are placed in high credit quality financial instruments as determined by reputable third-party rating agencies. The credit quality of issuers of those investments is reviewed on an ongoing basis.

In addition to placing investments only in high credit quality financial instruments, liquidity risk is managed by limiting the exposure to any one issue and to any one counterparty.

Hedging arrangements are entered into to protect the value of non-dollar pledges made by donors, to make contribution income more predictable and stable

and to facilitate resource distribution and other planning exercises. Hedge premiums and hedging exchange gains and losses are included under miscellaneous expenditures.

Investment and hedging activities are carried out on behalf of UNFPA by the United Nations Development Programme.

(h) Non-expendable assets

From 1 January 2004, non-expendable assets are defined as items valued at $1,000 or more per unit, excluding freight and carriage, and with a serviceable life of at least three years.

Effective 1 January 2006, title to project assets purchased for the exclusive use of implementing partners are transferred to those implementing partners immediately upon purchase of the assets. Those assets previously were included under the inventory of non-expendable assets. Going forward, UNFPA inventory of non-expendable assets will be aligned with generally accepted principle in this regard.

The full cost of non-expendable assets is charged to the biennial support budget or to programme expenditure in the year in which it is purchased. An inventory is maintained in respect of all non-expendable assets. An analysis of assets held at 31 December 2007 is provided in note 22.

(i) Technical advisory programme

Expenditure recorded under the technical advisory programme covers costs incurred in the provision of technical support to countries through the nine country services support teams and the strategic partnership programme with United Nations agencies.

The country services support teams represent multidisciplinary subregional and regional teams responsible for providing technical assistance to countries on population and reproductive health while promoting national self-reliance. Expenditure includes the costs of technical support professionals, local office and activity costs and costs related to the management of the technical advisory programme at headquarters. As part of the reorganization, the country services support teams will merge with the geographical divisions in 2008.

The strategic partnership programme is a collaborative arrangement between UNFPA and United Nations agencies based on the identification of specific thematic areas for cooperation, with agreed products that draw upon the comparative advantages of agencies and that are needed to improve the effectiveness and efficiency of national population and reproductive health programmes.

(j) Procurement services

Following approval by the Governing Council at its fortieth session, in 1993, UNFPA receives funds for the procurement of supplies, equipment and services on behalf of and at the request of Governments, the United Nations and its funds and programmes, the specialized agencies, other intergovernmental institutions and NGOs. UNFPA receives a fee in respect of these procurement services at a rate established by the Executive Board. The procurement service fee is recorded as income to the biennial support budget after procurement service expenditures are deducted.

These services have been accounted for and reported under "Procurement services" in statement 1.2 and schedule 7. Statement 4 and notes 11 and 20 provide further disclosure on the excess of income over expenditure.

(k) Refunds to donors

All refunds to donors are netted out of fund balances. Refunds to donors are shown in statements 1.1 and 1.2 and schedules 6 and 7.

(l) Staff benefit liabilities

Effective in the biennium 2006-2007, staff benefit liabilities, such as after-service health insurance, repatriation grants, termination indemnity and annual leave, were recognized (see note 24).

(m) Presentation of financial statements

UNFPA operations are funded by the following distinct types of resources:

- Regular resources, which represent resources the use of which is unrestricted
- Other resources, which represent resources the use of which is restricted, including co-financing, the Junior Professional Officer Programme and procurement services funds. Co-financing includes cost-sharing and thematic and other trust funds.

Totals may not add up because of rounding.

Note 3
Contributions receivable

Contributions to regular resources pledged by Governments for the current and prior years that had not been paid by 31 December were as follows:

(Thousands of United States dollars)

Pledge year		*2007*	*2005*
2002 and prior years		—	126
2003		—	248
2004		88	201
2005		99	1 999
2006		160	—
2007		994	—
Total		**1 341**	**2 574**
Adjustment for unrealized exchange gains/(losses)		**(43)**	**(30)**
Contributions receivable as at 31 December	**Statement 2.1 Schedule 1**	**1 298**	**2 544**

For "other resources", contributions receivable is current. As at 31 March 2008, $0.40 million of the contributions receivable for 2007 had been paid.

Note 4
Private endowment trust

The late Forrest E. Mars provided in his estate for the creation of a fund, entitled the Mars Trust, that was held by Americans for UNFPA (formerly called the U.S. Committee for UNFPA), to support the work of UNFPA. From 1997 to 2005, on a periodic basis, Americans for UNFPA, in conjunction with the trustee of the fund, made discretionary distributions for the benefit of UNFPA.

In December 2006 the trustee, completely terminating the private endowment trust, distributed the underlying assets of the trust to Americans for UNFPA and UNFPA. The distribution, as spelled out in the signed restricted fund agreement by and between Americans for UNFPA, UNFPA and the trustee, allocated the principal, including income and any appreciation, as follows: (a) $4 million to the Americans for UNFPA Fund under certain terms and conditions; and (b) the balance of the distribution (UNFPA Trust Fund) to UNFPA by Americans for UNFPA in two instalments, one on 28 December 2006 and the other on 31 January 2007.

The UNFPA trust fund was received and income recognized as follows:

(Millions of United States dollars)

Cash			0.8
Market value of bonds principal		14.4	
Accrued interest until 31 December 2006		0.2	14.6
First tranche — 28 December 2006			15.4
Second tranche — 31 January 2007	Statement 1.1		17.3
Total amount received			**32.7**
Held by Americans for UNFPA, to be received not later than 31 January 2012	Statement 2.1		1.0
Total contribution income	**Statement 1.1**		**33.7**

Americans for UNFPA may withdraw from the $4.0 million Americans for UNFPA Fund an annual amount in excess of $500,000 during each calendar year from 2006 to 2011, for a total of $3.0 million, to support the work of UNFPA in addressing world population problems. Americans for UNFPA will distribute to UNFPA the unexpended balance of $1.0 million, including any income and appreciation thereof, not later than 31 January 2012.

In addition to the restricted fund agreement, a release and reimbursement agreement was also signed by and between the trustee, Americans for UNFPA and UNFPA, releasing and discharging the trustee from any potential liability that may arise in the administration, payment or distribution of the trust. This agreement binds both Americans for UNFPA and UNFPA, for an indefinite period of time, to proportionately reimburse the trustee or his heirs for any potential liability within 20 days of receipt of a written claim to the extent of their net distribution benefits. At the time the agreement was signed, both the trustee and UNFPA were not aware of any material liability arising in the future.

Given the extent and the indefinite period of time of the potential liability, it becomes imperative that the value of the UNFPA net distribution benefit ($32.7 million received as at 31 December 2007 plus the $1.0 million to be received in 2012) be preserved at all times. It is within this parameter, including the required 20-day claim settlement requirement, that the investment management strategy of investing in short-term fixed income securities of this fund is built.

For the amount received, a trust fund will be established the objectives and purposes of which will be approved by the Executive Director. Disbursements from the fund, including administrative and investment costs, will be limited to interest income earned and received, and the fund cannot decrease below its original face value (net distribution amount, referred to above).

The contribution to UNFPA in the biennium ended 31 December 2007 totalled $33.7 million (2004-2005: $1.7 million).

Note 5
Contributions received in advance

At 31 December, contributions had been received in advance from the following Governments:

(Thousands of United States dollars)

Country		*2007*	*2005*
Algeria		10	10
Bangladesh		3	—
Barbados		—	4
Belarus		—	1
Burkina Faso		—	4
Cape Verde		2	—
Chad		61	—
Colombia		—	14
Equatorial Guinea		221	93
Estonia		46	23
Italy		5 900	—
Jamaica		—	1
Lebanon		—	2
Malaysia		15	—
Mauritania		2	—
Micronesia		2	—
Namibia		1	—
Nigeria		249	—
Slovenia		10	—
Thailand		96	92
Uganda		10	—
Vanuatu		2	—
Total	**Statement 2.1**	**6 630**	**244**

Note 6
Provision for doubtful collection of contributions receivable

On the basis of a review of the aged analysis of contributions receivable as at 31 December 2007, provision has been made in respect of all those contributions pledged in 2004 for which collection is considered doubtful.

The movement in the provision is summarized as follows:

(Thousands of United States dollars)

		2007	*2005*
Provision at 1 January		125	55
Contributions receivable for which collection is now considered doubtful		207	244
Contributions receivable written off		(238)	(150)
Recovery of contributions receivable for which collection was previously considered doubtful		(6)	(24)
Provision at 31 December	**Statement 2.1**	**88**	**125**

Note 7
Contributions in kind

The market value of goods and services provided in kind to assist in defraying costs associated with UNFPA-supported projects for the biennium ended 31 December 2007 was $0.8 million (2005: $0.9 million). Those contributions are not received by UNFPA, and hence are not reflected in statement 1 of the present or previous financial statements.

Note 8
Hedging

Hedging arrangements through foreign exchange forward contracts and options are entered into to protect the value of non-dollar pledges made by donors, to make contribution income more predictable and stable and to facilitate resource distribution and other planning exercises. Hedge premiums and hedging exchange gains and losses are included under miscellaneous expenditure.

With effect from 1 January 2003, UNFPA requested the UNDP Treasury to hedge the currency risk to which UNFPA is exposed when donors pledge and pay contributions at different times and in currencies other than the United States dollar.

During the biennium, contribution income in eight currencies was hedged. As at 31 December 2007, there were no outstanding hedge commitments.

Note 9
Other adjustments

Other adjustments comprise:

(Thousands of United States dollars)

		Regular resources		Other resources	
Adjustments in respect of		*2006-2007*	*2004-2005*	*2006-2007*	*2004-2005*
Contribution income		357	16	45	58
Expenditure		—	427	2 235	(570)
Other items		(882)	—	696	—
Total	**Statements 1.1, 1.2**	**(525)**	**443**	**2 976**	**(512)**

The above items do not constitute correction of errors but adjustments arising after the closure of accounts of previous bienniums and hence are shown separately.

Expenditure of $2,235 under "Other Resources" is broken down below:

(Thousands of United States dollars)

Settlement of invoices in 2007 that relate to purchase orders prematurely closed in 2005	628
Net impact of dormant third-party fund balances closed during the biennium	766
Net impact of adjustments pertaining to co-financing agreements for previous periods	841
Total	**2 235**

Note 10
Multi-year funding framework

The multi-year funding framework is the UNFPA medium-term strategic plan, which aims to strengthen the Fund's contribution to the implementation of the International Conference on Population and Development. The framework comprises a strategic results framework and an integrated resources framework. The strategic results framework specifies clearly defined organizational results and indicators to monitor progress towards those results and strategies to achieve them. The integrated resources framework includes an estimate of the resource requirements for the multi-year funding framework period.

At its first regular session of 2004, the Executive Board approved the integrated resources framework for the 2004-2007 period with a goal of regular and other resources of $1,523.0 million. However, given the increases in income projections, at the annual session of 2005, the Executive Board approved a revision of the integrated resources framework for a total of $1,754.0 million. As per the financial regulations and rules, future expenditures will always be subject to the availability of resources.

Starting in 2008, a new UNFPA strategic plan will replace the multi-year funding framework. It has been developed to serve as the centrepiece for organizational programming, management and accountability for the period

2008-2011. The strategic plan, which aims to strengthen the Fund's contribution to the implementation of the International Conference on Population and Development and the Millennium Development Goals, comprises a development results framework, a management results framework and an integrated financial resources framework.

At its second regular session of 2007, the Executive Board approved the strategic plan 2008-2011 with a total goal of regular and other resources of $2,595 million.

Note 11
Biennial Support Budget

Credits to biennial support budget expenditure in schedule 5 comprise:

(Thousands of United States dollars)

		2006-2007	*2004-2005*
Indirect costs charged to regular resources (see note 2(e)) in relation to			
Government-implemented projects		—	3 640
Procurement assistance provided to UNFPA-implemented projects		—	1 385
Subtotal		**—**	**5 025**
Indirect costs charged to other resources in relation to			
UNFPA, non-governmental organization and Government-implemented projects		20 345	14 384
Less: transfer to United Nations Foundation Support Office		(148)	(413)
Subtotal		**20 197**	**13 971**
Net procurement service fee	Statement 4, note 20	1 509	1 213
Government contributions for local office costs	Schedule 1	1 527	406
Total		**23 233**	**20 615**

Indirect costs charged to projects funded by the United Nations Fund for International Partnerships (UNFIP) provide financing for the United Nations Foundation Support Office. In the biennium ended 31 December 2007, contributions of $4.0 million (2004-2005: $8.7 million) were received from UNFIP.

Three contributions towards local office costs were received in 2006-2007. In accordance with the Executive Board decision on the harmonization of the budget presentation format submitted by UNDP, UNICEF and UNFPA, this income has been transferred from regular resource contributions as a credit to the biennial support budget.

Note 12
Implementation of the enterprise resource planning system

In the biennial support budget for 2006-2007, approved at its second regular session of 2006, the Executive Board authorized the setting aside of $8.9 million, in addition to the $13.8 million set aside in previous bienniums, for the implementation of the enterprise resource planning system. Expenditures of $5.0 million were incurred in the biennium ended 31 December 2007 (2004-2005: $6.7 million). Cumulative expenditures, including $7.3 million for 2002-2003, total $19.0 million since inception.

Note 13
Investments

Investments are held in the name of UNFPA. The total amortized cost and market values of investments held at 31 December 2007 are as follow:

(Thousands of United States dollars)

		Cost	*Value*
Money market funds		28 501	28 501
Time deposits		275 977	275 580
Certificates of deposit		250 000	250 000
Bonds			
Obligations of commercial banks		27 940	27 946
Non-United States sovereign obligations		6 000	5 996
United States Government and agency obligations		4 999	4 984
Corporate bonds		325	325
Subtotal		**39 264**	**39 251**
Total		**593 742**	**593 332**
Held under			
Regular resources	Schedule 8	302 955	
Other resources	Schedule 8	290 787	
Total		**593 742**	

The average maturity of the above investments is three months. The above total value is equivalent to 11 months of UNFPA cash required for its operations. The average yield on investments was 4.62 per cent in 2006 and 5.25 per cent in 2007.

The above investment includes the $15.4 million and $17.3 million received from the private endowment trust in December 2006 and January 2007 mentioned in note 4.

Bonds had an amortized cost of $39.2 million and a market value of $39.2 million as at 31 December 2007. Movements in bonds during the biennium follow:

(Thousands of United States dollars)

Opening balance, 1 January 2006			110 942
Add:	Purchases	17 428	—
	Realized gain	48	17 476
Less:	Maturities	(88 541)	—
	Amortization	(613)	(89 154)
Ending balance, 31 December 2007			**39 264**

Note 14
Accounts receivable — other

Other accounts receivable and deferred charges in statement 2.1 consist of the following:

(Thousands of United States dollars)

		Regular resources		*Other resources*	
		2007	*2005*	*2007*	*2005*
Advances to staff		2 648	2 253	51	41
Accrued interest		11 237	5 605	35	35
Miscellaneous accounts receivable		312	450	6	220
Total	**Statement 2.1**	**14 196**	**8 308**	**92**	**296**

Note 15
Accounts payable — other

This total is reported as follows:

(Thousands of United States dollars)

		Regular resources		*Other resources*	
		2007	*2005*	*2007*	*2007*
Miscellaneous accounts payable		7 251	3 293	13 166	5 746
Payable to administrative agent in respect of joint programme activities		37	—	1 323	20
Payable in respect of services provided by UNDP		(3)	372	2	60
Total	**Statement 2.1**	**7 285**	**3 665**	**14 491**	**5 826**

Note 16
Long-term liabilities

The balance of long-term liabilities for 2007 consists of:

(Thousands of United States dollars)

		Regular resources
After-service health insurance		72 778
Staff benefits		20 626
Total	**Statement 2.1**	**93 404**

Note 17
Unliquidated obligations

The balance of unliquidated obligations in statement 2.1 consists of:

(Thousands of United States dollars)

		Regular resources		*Other resources*	
		2007	*2005*	*2007*	*2005*
United Nations agencies		1 184	1 897	40	—
UNFPA		28 011	32 716	43 358	64 532
Total	**Statement 2.1**	**29 195**	**34 613**	**43 398**	**64 532**

This total is reported as follows:

Biennial support budget	Schedule 5	6 161	6 244	—	—
Implementation of enterprise resource planning system		—	185	—	—
Termination payments		830	794	—	—
Other liabilities		1 941	615	—	—
Programme		20 263	26 775	43 398	64 532
Total		**29 195**	**34 613**	**43 398**	**64 532**

Note 18
Reserve for field accommodation

At its thirty-eighth session, in 1991, the Governing Council approved the establishment of a reserve for field accommodation at the level of $5.0 million for the biennium 1992-1993 and authorized the Executive Director to make drawdowns from it for the purpose of financing the UNFPA share of construction costs for common premises under the auspices of the Joint Consultative Group on Policy.

Field accommodation expenditures for the biennium ended 31 December 2007 totalled $0.5 million (2004-2005: $1.1 million). As at 31 December 2007, $0.5 million (2005: $1.1 million) was transferred from unexpended fund balances to replenish the reserve for field accommodation.

Note 19
Operational reserve

The purpose of the operational reserve is to provide for temporary fund deficits and to ensure the continuity of programme implementation in the event of downward fluctuations or shortfalls in resources, uneven cash flows, unplanned increases in actual cost or other contingencies.

The level of the operational reserve was set at $45 million at the thirty-sixth session of the Governing Council in 1989. At its thirty-eighth session, in 1991, the Governing Council decided that the level of the operational reserve should be set at 20 per cent of regular resources income for each year of the UNFPA workplan.

In the year ended 31 December 2006, given net contribution income of $360.5 million, the operational reserve was increased from $70.2 million to $72.1 million. In the year ended 31 December 2007, given net contribution income of $419.0 million, the operational reserve should have been increased from $72.1 million to $83.8 million. The Executive Board, in its decision 2007/45, decided to withhold a maximum of $11.0 million from the projected annual additions to the operational reserve over two years to partially fund the one-time cost of regionalization. Instead, the operational reserve was increased by $0.7 million at the end of 2007, leading to a balance of $72.8 million as at the end of 2007 (see statement 4).

Note 20
Earmarking

As in previous years, the excess of procurement services fee income over expenditure has been recorded as income and is reported under net biennial support budget expenditure (see statement 1.1 and note 11). However, the excess of $1.5 million arising from activities in the biennium ended 31 December 2007 (2004-2005: $1.2 million) has been earmarked to facilitate resource planning in future years.

By its decision 2004/27, the Executive Board approved a security reserve of $6.8 million to address the additional security requirements of UNFPA. In its decision 2005/37, the Executive Board authorized additional funding of $4.7 million to replenish the security reserve for the 2006-2007 biennium.

Note 21
Global Contraceptive Commodity Programme

At its first regular session of 1996, the Executive Board approved the establishment of a Global Contraceptive Commodity Programme to be managed as a trust fund. In accordance with this decision, $5.0 million was transferred from unexpended resources to the Programme in 1996. The movements in this trust fund are included under "other trust funds" in schedule 6.

As at 31 December 2007, stocks of contraceptives at cost of $1.2 million (2005: $0.5 million) were held at the manufacturer's premises for UNFPA as part of the Programme. This amount forms part of the fund balance (see schedule 7).

Note 22
Non-expendable assets

As at 31 December 2007, non-expendable assets held at cost are as summarized below:

(Millions of United States dollars)

	2007	*2005*
Headquarters	3.5	2.9
Country offices	47.5	85.8
Total	**51.0**	**88.7**

Effective 1 January 2006, UNFPA accounting policy with respect to non-expendable assets is to charge the full cost of additions to the biennial support budget or to programme expenditure in the year of purchase and to record those additions, together with disposals and other movements, in an inventory only if legal title is retained with UNFPA. In 2007, wherever title of non-expendable assets purchased prior to 1 January 2006 was transferred to implementing partners, the inventory balance was reduced by the value of such assets. To the extent that the title for all non-expendable assets purchased by implementing partners prior to 1 January 2006 has been transferred to them, the value has been excluded from the inventory as at 31 December 2007.

Two complete physical counts of assets as at 31 December 2006 and 2007 were performed at headquarters and country offices during the biennium. All country offices reconciled the physical count with asset values in Atlas as at 31 December 2007. Likewise, the physical counts and the corresponding asset values were certified by both headquarters and the country offices after a detailed and a mutually satisfactory review process.

Note 23
Pension benefits

UNFPA is a member organization participating in the United Nations Joint Staff Pension Fund, which was established by the General Assembly to provide retirement, death, disability and related benefits. The Pension Fund is a funded defined-benefit plan. The financial obligation of the organization to the Pension Fund consists of its mandated contribution at the rate established by the Assembly together with any share of any actuarial deficiency payments under article 26 of the Regulations of the Fund. Such deficiency payments are payable only if and when the Assembly has invoked article 26 following a determination that there is a requirement for deficiency payments based on an assessment of the actuarial sufficiency of the Fund as of the valuation date.

At the time of the present report, the Assembly has not invoked this provision.

Note 24
Staff-related benefits

UNFPA had set aside a total of $52.0 million during the biennium for liabilities in respect of after-service health insurance costs. As at 31 December 2007, the funded amount for such costs was $61.2 million.

Starting in January 2006, a 4 per cent provision for after-service health insurance was incorporated into payroll costs to cover a portion of the estimated $8.1 million annual expense determined by the actuary as at 31 December 2005. The total amount accrued during the biennium was $7.5 million.

After-service health insurance

UNFPA engaged the services of William M. Mercer, Inc., to determine by actuarial valuation its liability in respect of after-service health insurance costs as at 31 December 2007. The results of this valuation are provided in summary below:

(Millions of United States dollars)

	At 31 December 2007	
	Present value of future benefits	*Accrued liability*
Gross liability	152.1	93.3
Retiree contributions	32.2	20.5
Net liability	**119.9**	**72.8**

The present value of the future benefits is the discounted value of the after-service health insurance costs to be paid in the future for both current retirees and active staff expected to retire in the future. The accrued liability comprises that portion of the present value of benefits that has accrued from staff members' entry-on-duty dates to the valuation date (projected to 31 December 2007). Active staff members' benefits are fully accrued when they reach their date of full eligibility for after-service health insurance benefits.

The key actuarial assumptions used to develop the results shown on the above liability are as follows:

- Discount rate of 5.5 per cent
- Health-care trend rates of 9.5 per cent in 2008, grading down to an ultimate rate of 5.0 per cent in 2015 and later for medical plans in the United States, and health-care trend rates of 5.7 per cent for medical plans outside the United States grading down to an ultimate rate of 4.5 per cent in 2012 and later
- Withdrawal, retirement and mortality assumptions are based on those used in the actuarial valuation of the United Nations Joint Staff Pension Fund as at 31 December 2005, including the updates to be used in the pension valuation as at 31 December 2007, as provided by the Pension Fund.

In 2006, UNFPA recognized $61.6 million in after-service health insurance liabilities determined by an actuarial valuation as at the end of 2005. An additional $7.5 million was accrued during the biennium through a charge on payroll. At the end of 2007, a further accrual of $3.8 million was made to the after-service health

insurance liability to reflect the difference between the $69.0 million liability already accrued as at 31 December 2007 and the updated actuarial valuation of $72.8 million as at that date (see note 2(l)).

As mentioned in note 27 for IPSAS, UNFPA, in conjunction with other United Nations agencies, is currently working towards achieving full IPSAS compliance by 2010. IPSAS requirements for full recognition of the after-service health insurance liability is consistent with the Secretary-General's recommendation that the General Assembly authorize full recognition of the after-service health insurance liability and its progressive funding (A/60/450).

Other benefits

Based on the information available as at 15 February 2008, the liability resulting from termination benefits that UNFPA may be required to pay to its staff members in future years was estimated as at 31 December 2007 to be $8.7 million (2005: $6.6 million) with respect to repatriation grants and $2.1 million (2005: $1.7 million) with respect to termination indemnity. Costs relating to annual leave due as at 31 December 2007 were estimated at $9.8 million (2005: $7.6 million).

The total liabilities recognized for these staff benefits as at 31 December 2007 was $20.6 million (see note 2(l)).

Unfunded staff benefit liabilities

A summary of staff benefit liabilities as at 31 December 2007 follows:

(Millions of United States dollars)

After-service health insurance accrued liability		72.8
Funded portion		
Reserves		52.0
Current cost accrual		7.5
Interest earned		1.7
Subtotal		**61.2**
Unfunded portion of after-service health insurance		11.6
Other staff benefits		20.6
Subtotal	**Statement 4**	**32.2**

Note 25
National execution

In line with the triennial comprehensive policy review, UNFPA makes cash advances to Governments where programmes are Government-implemented or to NGOs where civil service organizations are engaged with the national Governments. Those advances, termed operating fund advances, are provided to the implementing partners on a quarterly basis based on the annual workplans. The implementing partners are expected to submit their expenditure reports within 30 days of the end of each quarter and liquidate pending advances (see statement 2.1). For the 2006-2007 biennium, Government- and NGO-implemented projects together

totalled $276.5 million, or approximately 30 per cent of total programme expenditure.

Note 26
Contingent liabilities

From time to time UNFPA may be involved in a variety of asserted claims, some of which may lead to litigation. At 31 December 2007, UNFPA believes that there are no material contingent liabilities that have not otherwise been provided for in the 2007 financial statements. The likely possible contingent liability arising against such claims that are not provided for in the financial statements has been determined by UNFPA to be $0.17 million as at the end of 2007.

Note 27
International Public Sector Accounting Standards

The entire United Nations organization currently maintains its accounting records and prepares its biennial financial statements in accordance with United Nations system accounting standards. This is true for UNFPA as well, where compliance with the standards is required under its financial regulation 16.1. Over time, however, the standards have not kept pace with changing accounting developments. The flexibility provided in their interpretation by United Nations agencies leads to practical difficulties in comparing the financial results.

Recognizing that the need to adopt internationally recognized accounting standards is essential for transparent financial reporting, strong accountability and good governance, the High-level Committee on Management took up the issue of the United Nations system organizations adopting external accounting standards. After reviewing a number of similar international accounting standards, the Committee recommended that the United Nations adopt the International Public Sector Accounting Standards. In its resolution 60/283, the General Assembly approved the adoption of IPSAS, as recommended by the Advisory Committee on Administrative and Budgetary Questions (A/60/870), which said that given the availability of new information technology system within the broader United Nations system, the phased implementation should be completed effective 1 January 2010.

Note 28
Governance principles

The major elements of the governance principles of UNFPA are explained below.

(a) Risk management

The purpose of risk management in UNFPA is to strike an optimal balance between the maximization of the organization's impact (as defined in the mission statement) and related risks. Maximizing impact requires that the organization take risks to remain on the leading edge in its field of expertise and work in adverse or unreliable environments. This appetite for risk requires that UNFPA accept risk as part of its operations and minimize its potential negative impact: loss of reputation or of capacity to serve clients resulting, for instance, from inadequate or failed internal processes or from external events.

UNFPA has adapted the internationally recognized risk classification of the Basel Committee on Banking Supervision to better fit with its mandate and its operational framework. Information critical to identifying risks and meeting UNFPA objectives is communicated through established channels up, down and across the organization. The various risks facing UNFPA have been identified and assessed at all levels and within all functions.

(b) Internal control

The Committee of Sponsoring Organizations of the Treadway Commission framework for internal control, a widely recognized framework used to effectively manage and control organizations, is the basis on which the UNFPA internal control framework is developed and applied to its processes and activities. The latest internal control framework of UNFPA is covered in its Policies and Procedures Manual.

Accountability is central to all work processes that staff undertake, and the internal control framework identifies who is responsible for which activity and at what level. A fraud hotline is accessible on the UNFPA website to anyone who may wish to report matters related to fraud and corruption. The information is recorded in a secure database administered by the Division for Oversight and Services, and each case is dealt with as set out in the fraud policy.

(c) Performance reporting

All offices establish an annual office management plan, in which office workplan outputs are established on the basis of UNFPA priority pillars. There is a midyear review in which offices report on their progress in the plan. The review is submitted to and reviewed by the Executive Director. At the end of the year, divisions are expected to generate an annual report of activities and outputs achieved.

Individual staff are required to draft their annual performance plans on the basis of the office management plans. This is generally done in the first quarter of the year, after the priority pillars and the office management plans have been finalized. Performance against workplan outputs and indicators is assessed at the end of the year. Finally, staff members evaluate themselves, their colleagues and their supervisors. Supervisors then enter their final comments in each performance appraisal and development report.

In case of unsatisfactory performance, the supervisor must proactively address the performance issues and develop a performance plan for the staff member. The plan must cover a period of at least six months and include clear targets for improvement, coaching, supervision and bimonthly appraisals. Continued performance issues may result in the withholding of within-grade increments, the non-renewal of fixed-term contracts, or termination for unsatisfactory service.

(d) Social accounting

UNFPA has initiated several affirmative strategies within the organization.

Investment policy

UNFPA does not invest in any industry or business that produces firearms, tobacco, liquor, pornography, gambling products or military weaponry.

Procurement policy

Business entities that are complicit in human rights abuses, tolerate forced or compulsory labour or the use of child labour, are involved in the sale or manufacture of anti-personnel mines or their components or that otherwise do not meet relevant obligations or responsibilities of the United Nations are not eligible for partnership.

Personnel policies

Staff members are required to uphold and respect the principles set out in the Charter of the United Nations, including faith in fundamental human rights, in the dignity and worth of the human person and in the equal rights of men and women. Consequently, staff members are required to exhibit respect for all cultures and must not discriminate against any individual or group of individuals or otherwise abuse the power and authority vested in them.

Gender mainstreaming

UNFPA recognizes that it has particular leadership responsibilities, which entail the obligation as well as the opportunity to promote gender equality. Roughly 46 per cent of the posts funded by core resources are occupied by women.

Safeguarding the environment

The Secretary-General informed the Executive Director in a letter dated 9 July 2007 of his pledge to help safeguard the planet by making in-house practices more climate-neutral and environmentally sustainable. UNFPA is part of this initiative and will work with the rest of the United Nations family to further this initiative, which is being coordinated by the United Nations Environmental Management Group. Some initial steps have already been taken by UNFPA in order to reduce energy and paper consumption.

(e) Continuity

UNFPA began operations in 1969 as the United Nations Fund for Population Activities. In 1971, the General Assembly designated UNFPA to play a leading role in the United Nations system in promoting population programmes. A year later, in recognition of the growth in its resources and the scope of its operations, UNFPA was placed under the General Assembly's direct authority.

In 1987, the name of UNFPA was changed to the United Nations Population Fund, but the acronym, UNFPA, was retained.

In 1993, the General Assembly, in its resolution 48/162, transformed the governing body of UNFPA into an Executive Board. The Executive Board is responsible for providing intergovernmental support to and supervising the activities

of UNFPA in accordance with the overall policy guidance of the General Assembly and the Economic and Social Council, in accordance with their respective responsibility as set out in the Charter, and for ensuring that UNFPA is responsive to the needs and priorities of recipient countries. The Executive Board is subject to the authority of the Economic and Social Council. The Executive Board has 36 members, as follows: 8 from African States, 7 from Asian States, 4 from Eastern European States, 5 from Latin American and Caribbean States and 12 from Western European and other States. Typically, each member country of the Executive Board serves a three-year term. The Board oversees and supports the activities of UNFPA, ensuring that the organization remains responsive to the evolving needs of programme countries.

UNFPA supports programmes in four regions: the Arab States, Europe and Central Asia, Asia and the Pacific, Latin America and the Caribbean, and sub-Saharan Africa. It works in more than 154 countries, areas and territories through nine country technical services teams and 117 country offices. Three quarters of UNFPA staff work in the country offices.

The number of UNFPA donor countries has steadily increased over the past few years, from 69 in 1999 to a new high of 182 in 2007. The years 2006 and 2007 also marked significant increases in contributions. The top six donors in 2006 and 2007 were the Netherlands, Sweden, Norway, the United Kingdom of Great Britain and Northern Ireland, Japan and Denmark. In addition, all countries in sub-Saharan Africa pledged funds to UNFPA in 2006 and 2007.

The governance structure of all funds and programmes in the United Nations system is currently under review as part of the reform process.

Note 29
Post balance sheet event

Expense recognition under the International Public Sector Accounting Standards

Under IPSAS, encumbrance accounting applied under the United Nations system accounting standards will be eliminated and expenses will be recorded at the time that the goods are received or the services rendered on the purchase order or contract. Only the amount recorded as received will be recognized as an expense. Effective 1 January 2008, UNFPA implemented the delivery principle of recognizing expenditures under IPSAS.

Regionalization

The new organizational structure, which includes regionalization, is an integral component of the strategic plan 2008-2011. The objective of the new structure is to ensure a strategic, timely, integrated and efficient response to the needs of programme countries and of UNFPA country offices and to strengthen the ability of UNFPA to produce results in an effective and efficient manner. The relocation of the geographical divisions to the field and their merger with the country support teams to create regional and subregional offices and the split of the Division for Arab States, Europe and Central Asia into two separate regions, Eastern Europe and Central Asia, will take place in a phased manner, beginning in July 2008, with all new offices opened by December 2009.

The one-time costs of the implementation of the new structure are estimated at $28.4 million and involve: (a) human resources-related provisions ($16.3 million), which include staff termination ($9.5 million), relocation ($3.1 million), non-salary staff costs for outplacement services, counselling, a job fair, a job-matching and reassignment process, and change management training ($1.3 million) and eight posts related to the reorganization implementation process ($2.4 million); (b) the establishment of regional and subregional offices ($12.1 million), which includes the identification and design, renovation or alteration of premises, site supervision, removal costs and procuring equipment ($6.4 million), the establishment of information technology connectivity ($4.2 million) and compliance with United Nations security standards ($1.5 million).

The Executive Board approved the one-time cost amount in its decision 2008/6 and the funding modality in the decision 2007/43 as follows: (a) $10 million from the carry-forward balance from previous years; (b) withholding of $11 million, on an exceptional basis, from the projected annual additions to the operational reserve over two years; and (c) making use of additional contributions to fund the remaining amount of $7.4 million.

As at 31 December 2007, the one-time cost of regionalization was funded at $21.3 million, which includes a $0.3 million contribution from Finland.

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